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US dumps a new problem on the world industry
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It's not just Seattle
How Boeing's cuts affect suppliers worldwide
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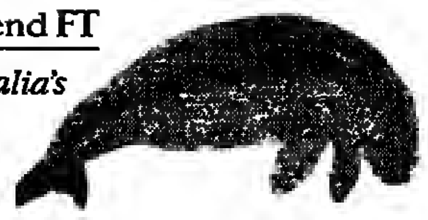
The wildlife of Australia's wild west coast



FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY JANUARY 29 1993 — D8523A

UN may be asked to impose deal on Bosnian factions

Bosnia peace mediators Cyrus Vance and Lord Owen may soon ask the United Nations Security Council to impose a settlement on the three warring factions after little progress was made in intensive talks on dividing Bosnia into 10 semi-autonomous provinces. Page 14; **Serbs set off dam mines, Page 2**

UK trade gap widens: Record imports caused Britain's trade deficit to widen to £1.74bn ($2.6bn) in December, the worst monthly level for 2½ years. The annual current account deficit for 1992 was inflated to almost twice the size of the previous year. Page 14; **Devaluation hits imports, Page 7; Lex, Page 14**

GM moves out of Finland: General Motors Europe has moved its Finnish car production to Germany, where it has been forced to introduce short-time working. Page 14; **Chrysler triples net earnings, Page 15**

Harrods bombed: A bomb, believed set by the Provisional IRA, blasted an entrance of Harrods department store in London, injuring four people.

Rabin calls for US help: Israeli prime minister Yitzhak Rabin asked the US to veto any UN action against Israel after the Israeli High Court approved last month's expulsion of more than 400 Palestinians to Lebanon. Page 4

Nintendo to warn users over its games:

Nintendo, Japanese video games producer, says excessive playing of its products can be hazardous but only for people with a rare form of epilepsy. The company is to attach warnings to the products against playing when tired or for an excessive length of time. Page 10

Asda, UK grocery retailer, has launched a £347m ($527m) rights issue only 15 months after it raised £357m through a similar exercise. Page 15; **Running fast but still fourth, Page 21; Lex, Page 14**

Charterhouse sale: German bank BHF and Crédit Commercial de France, the French bank, are each expected to buy 45 per cent of Charterhouse, merchant banking subsidiary of Royal Bank of Scotland. Page 15

Major sues magazines for libel: UK prime minister John Major issued libel writs against two London magazines, the leftwing New Statesman and Scallywag, a satirical monthly, after they carried reports on unsubstantiated allegations about his private life. Page 7

McDonald's record profit: McDonald's Corporation, the world's largest hamburger chain, reported record annual net profits of $958.6m and modest gains in sales. Page 17

National party MP to join Inkatha: A ruling South National party member of parliament said he was quitting to join Inkatha Freedom party headed by Zulu chief Mangosuthu Buthelezi.

Cambodia poll date: Elections for Cambodia's constituent essembly will be held on May 23-25, but there is no indication the Khmer Rouge will take part.

Angola peace talks: The Angolan government and leaders of the Unita discussed a four-point plan intended to bring about a ceasefire.

Engineering bosses offer deal: German engineering industry employers have offered to back subsidies for loss-making east German enterprises, if workers accept a pay rise slowdown. Page 2

India debt accord: India and Russia resolved a long-standing debt dispute when prime minister P.V. Narasimha Rao and President Boris Yeltsin agreed terms for repayment of India's Rs390bn ($12.5bn) debt to the former Soviet Union. Page 3

Former FT chairman: Lord Poole, chairman of the Financial Times from 1958 to 1960 and a former chairman of the UK Conservative party, died aged 82. Obituary, Page 10

Arthur Hellyer, FT gardening correspondent for 33 years, died aged 90.

STOCK MARKET INDICES

FT-SE 100	2,818.9	(−15.6)
Yield	4.34	
FT-SE Eurotrack 100	1,072.78	(+0.42)
FT-A All-Share	1,368.48	(−0.4%)
Nikkei	17,068.41	(+553.73)
New York lunchtime		
Dow Jones Ind Ave	3,305.43	(+14.04)
S&P Composite	438.96	(+0.85)

US LUNCHTIME RATES

Federal Funds	2 15/16%
3-mo Treas Bills: Yld	2.941%
Long Bond	105 3/16
Yield	7.194%

LONDON MONEY

3-mo Interbank	5 5/16%	(6 3/8%)
Liffe long gilt future:	Mar 101 7/8	(Mar 101 1/32)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$18.475	(17.9)

Gold

New York Comex (Feb)	$330.5	(329.9)
London	$330.15	(330.65)

STERLING

New York lunchtime:		
$	1.5125	
London:		
$	1.5165	(1.5145)
DM	2.405	(2.3975)
FFr	8.1425	(8.11)
SFr	2.215	(2.2125)
Y	188.25	(187.75)
£ Index	78.5	(78.6)

DOLLAR

New York lunchtime:		
DM	1.587	
FFr	5.3755	
SFr	1.46325	
Y	124.285	
London:		
DM	1.5855	(1.5835)
FFr	5.37	(5.355)
SFr	1.461	(1.4605)
Y	124.2	(124.05)
$ Index	65.8	(65.7)

Tokyo close Y 124.15

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs35
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Spain	Pta200
Czech Rp	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L6000
						UAE	Dh11.00

Clinton's advisers urge 'modest stimulus' to stop economy faltering

US growth boost but jobs fear remains

By Michael Prowse in Washington

THE US economy grew at a surprisingly robust annual rate of 3.8 per cent in the final quarter of last year, the fastest pace since 1988, the Commerce Department reported yesterday.

The growth mainly reflected a surge in consumption, which grew at an annual rate of 4.3 per cent relative to the previous quarter.

The economy grew by 2.1 per cent in 1992 as a whole, a sharp rebound after a decline of 1.2 per cent in 1991.

However, senior advisers to President Bill Clinton believe the figures overstate the economy's underlying growth rate and are continuing to urge a modest economic stimulus worth $15bn-$20bn (£9.8bn-£13bn) this year to ensure that growth does not falter again, as it did in both 1991 and 1992.

After meeting yesterday with Mr Alan Greenspan, the Federal Reserve chairman, Mr Clinton welcomed the figures. However, he noted that there was also "a lot of troubling news about jobs" – a reference to a wava of recent job cuts at leading US companies including International Business Machines, Sears Roebuck and Boeing. "We've got a lot of work to do," he said.

The expansion in the fourth quarter followed growth at an annual rate of 3.4 per cent in the third quarter. It was the seventh successive quarter of growth following a brief contraction in the winter of 1990-91.

Economists said the breakdown of growth was particularly encouraging. It did not reflect temporary factors such as a rebuilding of inventories by companies. The growth of consumption reflected a bigger than expected rise in disposable incomes rather than a further reduction in the personal savings rate, which stabilised at about 4.5 per cent.

Bill Clinton (left) holds a White House meeting with Alan Greenspan, chairman of the Federal Reserve Board. Mr Greenspan reported on Wednesday that the US economy was gaining strength

Investment spending was also stronger than anticipated. Corporate equipment investment grew at an annual rate of 11.7 per cent relative to the previous quarter while residential investment surged by 29 per cent, reflecting a recovery in the housing market.

Inflation remained subdued, with a broad index rising at an annual rate of 2.8 per cent.

Mr David Wyss, chief economist at DRI/McGraw-Hill, the forecasting group, said: "We can't keep up growth at 3.8 per cent. But decent growth of something like 3 per cent is likely this quarter." Others were less optimistic. Mr Bill Griggs, a Wall Street bond market analyst, said growth might be as low as 2 per cent at an annual rate in the current quarter, reflecting overspending by consumers in the Christmas season.

Scepticism about growth prospects reflects the abnormally slow pace of job creation. Unemployment rose last year in spite of the growth of output.

In congressional testimony on Wednesday, Mr Greenspan said the US had to come to terms with a "new economy". Structural changes had led to a sharply higher rate of productivity growth which meant that even robust growth might not create as many jobs as in the past.

Editorial Comment, Page 13
Dow gains, Back Page Section II

Two US airlines report heavy losses

By Nikki Tait in New York

THE TURMOIL in the US airline industry yesterday caused two of the largest carriers, United Airlines and Delte Air Lines, to report heavy losses for the final three months of 1992, and for the year overall.

UAL, United's parent company, made an after-tax loss of $184m in the final three months, excluding one-off charges, and registered a $370m deficit for the year.

The Chicago-based carrier also said negotiatioos with Boeing, the aircraft manufacturer, to reduce "significantly" its aircraft delivery schedule were continuing. The carrier – with over 430 Boeings on order and option – announced the latest round of talks with Boeing in December.

Delta, which switched from being a predominantly domestic airline to one with a considerable international presence when it acquired Pan Am's transatlantic routes in late 1991, made a net loss of $126.3m in the three months to December 31. Its financial year ends in June, but in calendar 1992 its after-tax loss stood at $564.8m.

Delta and United are two of the big three US carriers. The third, American Airlines, has already reported a $475m after-tax loss for 1992 (before one-off accounting-related charges). The latest losses make 1992 the third consecutiva year in which the US airline industry has made heavy losses. Net losses from the nine largest US carriers topped $3bn in 1990, and $1.6bn in 1991.

"Unacceptable is the only way to describe our fourth quarter results," said Mr Stephen Wolf, United chairman. "The industry remains in a state of chaos."

Delta echoed these commeots, blaming the December quarter loss on "the continuing effect of uneconomical fare levels due to tha implementatioo of a simplified fare structure earlier in 1992, discount fare promotions and a weak worldwide economy".

This month United announced a cost-cutting plan, involving the loss of 2,800 jobs and cancellation of plans to hire another 1,900 people. It ran into union opposition when it sought wage and benefit concessions from employees.

Schlesinger squashes fast-track Emu idea

By Christopher Parkes in Frankfurt and Lionel Barber in Brussels

THE BUNDESBANK president yesterday squashed an idea, promoted by French and German leaders, that a select group of European Community countries could establish monetary union ahead of schedule.

Mr Helmut Schlesinger also warned that monetary stability had to be restored in Germany before there could be any further progress towards Emu.

The Maastricht treaty "states clearly that Emu can only start, in 1997, if a majority of the member states meet the required entry criteria", he said in a speech in Brussels.

"I am sticking to the text . . . The next time is 1999. I have no intention of shortening the period," he told a press conference later.

Mr Schlesinger said he had been "surprised about some public speculation envisaging the start of a far more narrowly defined Emu, for instance, without the Benelux countries".

While he did not name the source of the speculation, he was apparently responding in part to recent statements from Chancellor Helmut Kohl and President François Mitterrand.

They agreed in a television interview that it could be possible to accelerate progress towards union. Recent French media reports have suggested the possibility of a Franco-German monetary pact.

Mr Schlesinger underlined his opposition to his chancellor's ambitions with a sharp reminder of the economic difficulties to be overcome in united Germany.

The country suffered from huge regional income differentials and structural problems unequalled anywhere else in the Community.

It was in the interests of all EC member states that the country with the anchor currency – the D-Mark – should be able to return to full stability. This was "a prerequisite for any move forwards on the road towards Emu".

In the run up to the establishment of a European central bank, national central banks had to retain responsibility for monetary policy. "This also means that a country cannot be pressured to relax its monetary policy at a stage when its fight against inflation has not yet been successful," he insisted.

Mr Schlesinger, who said he expected 4.4 per cent average inflation in western Germany this month, made plain that the rate of price increases had to slacken before interest rates could be reduced. However, he stressed, monetary policy was not dictated by dogma.

"In cases where growth prospects have deteriorated and unemployment has increased, the Bundesbank has never kept interest rates high longer than necessary if there were signs of inflationary pressures easing," he added.

Despite a high rate of price increases in January Mr Schlesinger said he hoped west German inflation would fall this year to little more than 3 per cent.

Fears grow for punt devaluation

RENEWED tension emerged inside the European exchange rate mechanism yesterday morning as fears grew that the punt would have to be devalued following the UK's 1 percentage point cut in base rates earlier in the week, writes James Blitz in London.

The French franc came under strong selling pressure against the D-Mark, falling by more than a centime in the first hours of London trading, and bottoming out at FFr3.3950 against the D-Mark.

Three-month French francs were quoted at between 12¼ per cent and 13¼ per cent, nearly a full point above their level on Wednesday night.

The high cost of borrowing francs helped the French currency to recover to close at FFr3.385 in the afternoon. The D-Mark's strength was further sapped by a 3.8 per cent rise in fourth quarter gross domestic product in the US, compared to 3.4 per cent in the third quarter. The figure helped the dollar rise to a close of DM1.5855, a full pfennig above its lows of the day.

However, the Irish punt was still below its floors against the Belgian franc and Dutch guilder after ERM trading officially closed at 4pm yesterday.

Currencies, Page 38

Pepsi and Cadbury-Schweppes agree east Europe franchise deal

By Guy de Jonquières, Consumer Industries Editor, in London

SALES OF Cadbury Schweppes soft drinks in eastern Europe are set to rise sharply as a result of a franchise deal with Pepsi-Cola of the US.

The deal, which may lead to further co-operation between the two companies in the region, is the first between them since the mid-1980s, when Cadbury Schweppes severed a bottling agreement with Pepsi in the UK and placed its British soft drinks businesses in a joint venture with Coca-Cola, Pepsi's arch-rival.

Pepsi will bottle and distribute Cadbury Schweppes brands, including Schweppes and Canada Dry, in Hungary, Poland, the Czech Republic and Slovakia. Initial annual output will exceed 10m cases and is expected to at least double in five years.

The companies plan to explore similar arrangements in other parts of eastern Europe, where Pepsi has operations in every country except Albania. It has operated in the former Soviet Union since the early 1970s and is investing $150m in Ukraine.

Until now, Hungary and Bulgaria have been the only eastern European countries in which Cadbury Schweppes' soft drinks have been sold.

Some observers believe yesterday's agreement could lead to a much closer partnership, which might eventually extend to other parts of the world.

"It is a very important development in terms of what may lie ahead," said Mr Jessie Meyers, editor of Beverage Digest, a US publication which monitors the soft drinks industry. "This is a tryst which could turn into a date and maybe even marriage."

Two years ago, Pepsi ended an important bottling franchise with Cadbury Schweppes in Spain. Cadbury Schweppes still bottles Pepsi products in southern Spain and France, while Pepsi has long distributed Cadbury Schweppes drinks in parts of the US.

Yesterday's agreement will help strengthen Pepsi's product range in the face of increased competition in eastern Europe from Coca-Cola.

Although Pepsi claims three times Coca-Cola's sales in the region, Coca-Cola is investing more than $1bn there in an effort to catch up.

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Alert after Serbs set off dam mines

By Laura Silber in Belgrade

CROATIAN forces captured a strategic dam yesterday but said retreating Serb troops had set off three demolition mines at key points, threatening the structure with collapse.

Military and civilian government sources in the regional town of Sinj, 15km south of the Peruca dam, said Croatian forces had won control of the dam from rebel Serbs in the Krajina enclave.

In Sinj evacuation of more than 20,000 people in the valley below the dam was being considered.

Experts were being rushed to the scene to examine cracks in the dam from which water was spilling.

The heavily-mined dam provides electricity for its southern and central Adriatic coastal cities.

Artillery and mortar duels between Croat and Serb forces erupted on Wednesday night around the 65-metre high dam, which Serb rebels rigged with explosives last year.

If the dam ruptures, more than 500m cubic metres of water in the 12-mile-long reservoir would endanger tens of thousands of people.

Tanjug, the Belgrade news agency said Croat long-range artillery fire had hit the sluice gate adjacent to the dam. The dam lies at the far southern end of the self-proclaimed Serb state of Krajina ten miles outside the UN Protected Area.

UN officials say Krajina leaders in November 1991 warned that the dam had been rigged as a guarantee that Croat forces would not seize it. Although damaged in the 1991 Serbo-Croat war, the Peruca dam is a crucial source of power for much of Dalmatia.

General Satish Nambiar, the commander of UN peace-keepers in the former Yugoslavia, said: "I am afraid it's a very grim situation." He was critical of the seven-day-old Croatian offensive into the disputed Serb enclave of Krajina. "I have to tell you quite frankly that this has been an immensely rash and ill-advised action.

"It could have destructive consequences which we have not yet witnessed," he said.

The Croatian government claimed that Serb fighters had driven 50 Kenyan peace-keepers from the Peruca dam, but that could not be confirmed.

Krajina's Serb commanders yesterday said they had halted the Croat military offensive across UN lines, reported Tanjug. "This creates conditions for a counter-offensive," said their statement, adding that Serb militia had retaken several villages seized by Croat forces since Friday.

In Bosnia, meanwhile, Moslems and Serbs were again involved in artillery and infantry attacks along the Drina River border with Serbia.

Effort to unblock EC hours directive

By David Gardner in Copenhagen and David Goodhart in London

MR PADRAIG FLYNN, the new EC Commissioner for Social Affairs, is examining ways to unblock the controversial draft directive setting a 48 hour maximum working week.

He is also prepared to examine whether there is a case for amending the EC directive which protects the pay and conditions of workers in company mergers and which is currently causing uncertainty in the contracting-out of public services in the UK.

The working time directive, a centrepiece of the EC Social Charter, has been stuck in the legislative pipeline for nearly three years, mainly as a result of UK opposition. But since an agreement in principle resolving most British objections was brokered last June, the draft law has not moved forward.

"I would like to see this directive, and some of the others that have been blocked, moving on under the Danish presidency," Mr Flynn said yesterday. Denmark, currently in the EC chair, has made social policy a priority.

According to senior European Commission officials, Mr Flynn has been considering whether to redraft the directive. But following a meeting of social affairs ministers in Copenhagen yesterday, he said he would await the report of the working group set up last June to resolve outstanding "technical" differences between France and Germany.

The British EC presidency of the second half of last year showed little enthusiasm to resolve such differences. The UK would be most affected by the directive, having to provide legal protection for workers unwilling to work more than 48 hours.

The UK government, which is threatening to take legal action against the directive even in its diluted form, argues that the measure would reintroduce rigidities into the labour market and add to costs in industry.

However the fact that Mr Flynn appears to be leaving open the possibility of an amendment to the 1977 Acquired Rights Directive, which has cast a shadow over contracting-out in the UK, will please the UK government.

That directive was intended to offer workers protection in company mergers but recent legal judgments seem to extend the protection to a broad range of public service workers whose functions are contracted out to the private sector.

Flynn opts for a flexible approach

EC commissioner ready to set new priorities, write David Goodhart and David Gardner

THE European Commission's new social affairs commissioner, Mr Padraig Flynn, comes across – rather deliberately – as the provincial Irish politician, nursing his stronghold in County Mayo, and unversed in EC policy.

But it is possible the critics in Brussels and Dublin – who are comparing him unfavourably with his Irish predecessor at the Commission, Mr Ray MacSharry – may be repeating the mistake they made when Mr MacSharry took over as agriculture commissioner in 1989.

Mr MacSharry was initially characterised as a "rough diamond" without the intellect of his predecessor, the urbane competition commissioner, Mr Peter Sutherland. Yet Mr MacSharry was one of the undoubted successes of the last Commission, in a politically treacherous and technically arcane area of EC policy.

It has been widely assumed that Mr Flynn will be more attentive to his prospects of succeeding Mr Albert Reynolds as Irish prime minister than to the details of Community social policy.

Yet, after barely a month in Brussels, he is acquiring a reputation as a canny operator. He engineered this month's declaration of support by EC finance ministers for the Irish punt, still under speculative siege within the ERM.

He also seems ready to set important new priorities in EC policy.

Talking to the Financial Times last week he suggested that the prescriptive and detailed approach to the social dimension championed by his predecessor as social affairs commissioner, Ms Vasso Papandreou, had run its course.

"We've reached a hiatus, a natural kind of hiatus, with the social action programme," he said.

That programme, enforcing minimum standards across the EC's workplaces, grew out of Mr Jacques Delors' 1989 Social Charter – although Mr Delors himself opposed turning it into such legislation.

Much of the programme has run up against a combination of recession and opposition from member states, although some elements, such as the directive which lays down strict controls on working time, may slip through the net.

Mr Flynn is now calling for "a year of consolidation" and a more strategic approach, with the Commission laying down a framework of minimum standards "without getting involved in the details", which should be left to employers and unions.

"The detail should be worked out when the legislation passes through national legislatures, the flexibility must be there," he says.

His officials promise a review of social dimension goals and methods by the end of this year. They also say privately that the social dimension has been hijacked since 1989 by the European trade unions and it is time to return to the broader theme of a Citizens Europe.

"The Community has to be identified by ordinary people as having a direction," says Mr Flynn. He says that means highlighting the issue of unemployment in the EC, which will reach 11 per cent this year: to which end an "Employment Week" conference is planned for October.

Mr Flynn says he also wants to make "a big push" to allow EC citizens to work and live in other EC countries. Legislation on free movement and mutual recognition of qualifications is in place, but there are many practical and bureaucratic obstacles to living and working in other EC countries – currently only 2 per cent of EC citizens do so.

His officials say that there are a few areas where further legislation is needed, such as on the mobility of occupational pensions, but what is really needed is a commissioner who is prepared to do battle with those countries that are not applying legislation.

Mr Flynn, who was justice minister in the Irish government, brings to social affairs the two extra portfolios of immigration and justice: a combination that means he should be in a good position to engage in just such a battle.

However, there is the danger that Mr Flynn will disappear into arguments about drugs, asylum and terrorism, as internal borders within the EC are dismantled. He will also be busy ensuring that Ireland continues to receive its relatively favourable treatment from the EC social fund.

His officials are keen that he reforms the rather bureaucratic social fund to make it more like the user-friendly regional fund, but Mr Flynn points out that those countries, such as Ireland, which have made effective use of the social fund have few complaints.

Many of Mr Flynn's aims will be welcomed by the British government, which was barely on speaking terms with his predecessor. However the "liberalisation" of the social dimension which Mr Flynn appears to stand for may face resistance from his own government, which now includes the Irish Labour Party, and from his own officials, who are more used to friendly social democrats.

Ashley Ashwood

Padraig Flynn: provincial Irish politician who seems ready to set important policy priorities

Punt still under pressure

By Tim Coone in Dublin

THE Irish punt faced a further day of heavy selling in the foreign exchange markets yesterday in spite of Wednesday's increase by the Irish Central Bank of overnight lending rates to 100 per cent.

The punt remained pinned to its floor level against the Belgian franc in the ERM through most of the day, and had to be sustained by intervention from the Belgian central bank. Interbank rates for one month's money remained around 35 to 40 per cent.

Mr Helmut Schlesinger, the Bundesbank president, yesterday said he supported the Irish government's policy on the punt. Mr Bertie Ahern, the finance minister, reiterated his determination to defend the punt, saying: "I want to assure those in London that are spreading rumours of a devaluation that they are wrong." He added, however, that he is "very concerned" by sterling's weakness.

The government also lashed out at Mr John Bruton, the leader of the opposition Fine Gael party, who earlier this week said the government should devalue the currency. The government said his remarks were "singularly unhelpful" and had contributed to speculative pressure.

Mr Michael Noonan, the finance spokesman for Fine Gael, dismissed the attack as "government propaganda" and said the government will be forced to devalue as "it has no policy in place to cut the cost base of Irish business."

Industry and farm leaders, alarmed by sterling's weakness and the high real interest rates in the Irish market have demanded a comprehensive package of tax reforms, and a renegotiation of pay deals with trade unions, if the government is determined to continue defending the punt.

They say the temporary measures that the government has introduced are inadequate.

A spokesman for the Irish Business and Employers Confederation said yesterday: "We are asking for strategic policies which will assure that the cost base for business and industry is brought down to a level where business can continue to compete."

Milan magistrates widen their net

By Robert Graham in Rome

MAGISTRATES investigating the Milan municipal corruption scandal have widened their investigations to include the controversial reorganisation of the chemicals industry in 1990.

Under investigation are ENI, the state oil concern, the Ferruzzi Group's Montedison, and Anas, the state road building authority.

The Milan scandal, which this week saw the 100th person arrested on corruption charges, has shaken the Italian political establishment. So far the political casualties have mainly been politicians with a base in northern Italy. This includes Mr Bettino Craxi, the Socialist leader, whose home base is Milan. Parliament is considering whether to waive his parliamentary immunity over allegations of corruption and illegal party financing.

A picture has emerged of a well-organised and systematic process whereby the main political parties, headed by the Christian Democrats and Socialists, demanded 5-7 per cent on public works contracts.

However, the investigation is now focusing on the activities of the parties in Rome, where the same process is believed to have been practised on a bigger scale. The spotlight on road building contracts has followed the interrogation on Tuesday of Mr Alberto Mario Zamorani, a former deputy managing director of Italstat, the civil engineering subsidiary of IRI, the state holding company.

Equally explosive is an investigation into the sale by Montedison to ENI of its stake of their jointly run chemicals group, Enimont. The oil and petrochemicals industry had long been considered a fiefdom of the Socialist party. In the past few days police have searched both Montedison and ENI offices. They also sought files from the office of Mr Giuseppe Garofano, the former chief executive of Montedison.

Milan magistrates are also investigating power station contracts. But this so far has been limited to Sardinia.

Rome magistrates are investigating the purchase by the treasury of a number of buildings in Rome. Following arrests on Wednesday of four senior or retired civil servants, including a former director-general of the treasury, 44 people have now been charged with corruption in this investigation.

Milan magistrates have been persuading the Swiss authorities to co-operate more closely over access to suspect bank accounts.

As the magistrates' net draws closer to party headquarters in Rome, Mr Craxi has suggested that parliament form a commission to examine party financing. The Christian Democrats have given informal backing: but Mr Craxi's enemies see the move as a smoke-screen.

German employers in subsidy plan

By Quentin Peel in Bonn

GERMANY'S engineering industry employers said yesterday they were ready to back plans for substantial subsidies to loss-making east German enterprises, provided engineering workers accepted a slow-down in their pay rises.

Details of the deal were leaked yesterday by IG Metall, the engineering workers' union, and promptly denounced by the employers, because of the lack of a new wages agreement.

The employers said that a secret document, spelling out the rescue programme for eastern industry, was "not authorised." It had been agreed by negotiators "only with the express precondition that there would be a revision of the wage contracts" in east Germany. That was still rejected by the union, the most powerful in Germany.

The "solidarity pact" for the engineering industry would, if it can still be agreed, provide a key element for the wider solidarity pact between the German government, opposition, employers and unions, to finance the cost of east German economic recovery.

A renegotiation of the engineers' existing wages deal in the east, which would grant a 26 per cent pay increase on April 1, and parity with western workers by 1994, has been a key demand of both the German government and industrialists for the planned solidarity pact. The engineering pay deal is seen as the key to a series of wage equalisation contracts in the east, which have made eastern industry uncompetitive, and slowed down private investment in the region.

The joint paper worked out by negotiators for IG Metall and Gesamtmetall, the employers' organisation, calls for extended investment subsidies beyond 1996, special preferences for the products of east German manufacturing industry, and a new deal to support exports by east German enterprises to eastern Europe.

It proposes a long-term trade deal with states of the former Soviet Union.

The whole programme would be financed by savings and re-ordered priorities in the government budget.

Outgoing EIB president issues warning

By Lionel Barber in Brussels

MR ERNST-GUNTHER Broeder, outgoing president of the European Investment Bank, yesterday issued a warning against those tempted to turn the bank into a soft-loan organisation to promote growth inside the European Community.

Presenting annual results for 1992, which showed an 11 per cent increase in EIB lending to Ecu17bn ($21bn), Mr Broeder, acknowledged political pressure to use the bank to promote growth.

But he said the EIB's new lending criteria, agreed at the EC summit last month, should not be at the expense of the bank's credit rating in the capital markets.

"It is essential that the EIB remain a bank," Mr Broeder said, "rather than an instrument to provide equity and capital."

A German economist and bank executive, Mr Broeder is to retire in April after almost nine years.

He is to be succeeded by Sir Brian Unwin, former chairman of Customs and Excise in the UK.

The EIB has faced some criticism inside the European Commission for being sleepy and too cautious in its assessment of risk.

But its ability to raise money – Ecus 13 bn in 1992 – in the capital markets at attractive rates, gives it a key role in the EC growth package aimed to enhance capital investment.

The EIB said yesterday that the first tranches of the special Ecu5bn lending facility agreed in Edinburgh should be available for specific projects in telecommunications, energy and transport by late-March or early-April.

The Ecu5bn would be spread over two years among the 12 EC member states.

The EIB will set up a European investment fund by the end of the year, with a subscribed capital of Ecu2bn, to act as a catalyst for infrastructure projects and to help small and medium-sized business.

The EIB is talking to 60-70 commercial banks about participation, though the final number is likely to be smaller.

These banks will take 30 per cent of the capital. The EIB is to take 40 per cent and the European Commission 40 per cent.

French Socialists reconciled to poll disaster

After the long years of power, President Mitterrand's party knows its time is up. David Buchan reports on the election prospects

ASSEMBLÉE NATIONALE

Elections '93

THE talk these days at the Rue Solferino headquarters of France's ruling Socialists is of rebuilding the party – but after, not before, the parliamentary elections in March.

For there, as in the rest of the country, it is assumed that in seven weeks' time the Socialists will take their worst electoral hammering in nearly 30 years. Certainly, Mr Laurent Fabius, the Socialists' secretary-general, has again this week complained at the widespread expectation of a right-wing landslide.

But Mr Christian Pierret, the Socialists' campaign co-ordinator, sets his sights low when he says he hopes that "by the end of the campaign we will reach 23-24 per cent in the opinion polls". A couple of extra percentage points in the polls would make all the difference, he says. If in March the Socialists won only the 19-20 per cent of the vote which most polls now give them, the number of their deputies would sink from 270 to 80-90. But 23-24 per cent could, under the majority voting system, translate into 130-150 seats. This, says Mr Pierret, "could be considered a victory – or at least an honourable defeat".

The modesty of Socialists' hopes and the magnitude of their fears are not surprising, given their disarray. Mrs Marie-Noelle Lienemann can say publicly the party's "time is over" and still keep her job as junior housing minister. Mr Jean-Pierre Chevènement, the left-wing opponent of Maastricht, can run a slate of 30 dissident Socialist candidates (one of them against Mr Roland Dumas, the foreign minister) and still stay on the party's national committee.

This is tolerance born of weakness after the battering which the Socialists have taken during a decade in power. Even their pre-1986 stint in government continues to haunt them. Mr Fabius, who was prime minister in 1984-86, and two ex-health ministers are to go before a parliamentary impeachment procedure to defend themselves against charges of negligence in allowing Aids-contaminated blood to be given to haemophiliacs.

More widely damaging are the charges of taking illegal (because hidden) corporate cash, on which Mr Henri Emmanuelli, the National Assembly president and ex-Socialist treasurer, has been indicted. In organising a national redistribution of kick-backs on public contracts, the Socialists may just have been doing more openly what all French parties have long done in a less organised way. But the effect was worse, says Mr Pierret, because "we used to be regarded as the party of the politically pure".

President François Mitterrand went too far for his own party in proposing last autumn a total ban on companies funding political parties. The Socialists joined other parties in passing a law simply requiring greater disclosure of corporate cash.

Yet the president is himself a liability to his fellow Socialists. With a 26 per cent approval rating in last weekend's IFOP poll, his popularity is back down to where it was before the Maastricht referendum. Nor have president and prime minister been pulling smoothly in harness. Within a fortnight of Mr Mitterrand's New Year message, which sent the Socialists into battle under the slogan of defending social policy gains, Prime Minister Pierre Bérégovoy was suggesting that one solution for France's financially-strapped state pension scheme would be to make people work longer before qualifying for retirement pay.

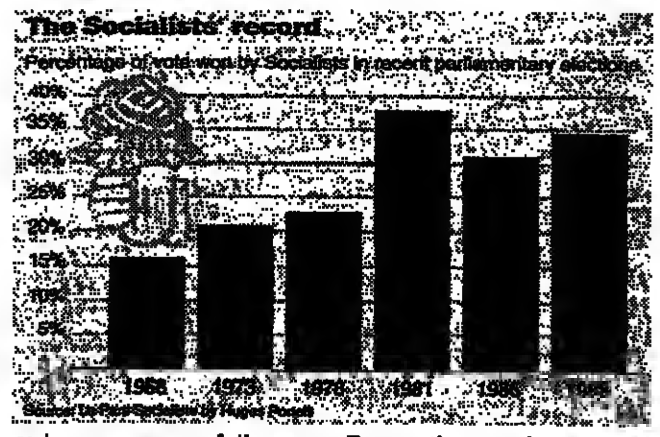
The Socialist governments of 1981-86 saw through social reforms including a lower retirement age and reduced working hours. Mr Pierret regrets they did not do more in the good years of the late 1980s: "Now we are regarded as serious managers of the system, not as reformers."

On the economy, the government has chalked up a number of achievements in the last year, getting inflation down to a 36-year low of 2 per cent and producing a FFr30bn ($5.55bn) trade surplus. But part of the price of success is a jobless total of nearly 3m. This weighs heavily on Socialist shoulders.

In such a period of decline, perhaps inevitable after so long in power, the Socialists' structural flaws become more evident. One of the weaknesses is that, unlike social democratic parties in the rest of Europe, the party has no natural constituency within the trade unions. It has also let slip from its grasp the ecological movement, which is progressing far faster in France than elsewhere in Europe.

A CAF opinion poll yesterday put Génération Ecologique, together with the Greens, at 19 per cent, ahead of the Socialists with 17.5 per cent.

Virtually the only consolation on the Rue Solferino is the knowledge that France's right is as sharply divided as the Socialists. Playing on the opposition's divisions is the Socialists' best, maybe only, gambit.



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French step up campaign on state aid

By David Buchan in Paris

THE FRENCH government, under growing electoral pressure, yesterday stepped up its campaign to prevent what it sees as foreign countries' attempts to entice investment away from France.

France is to ask the European Commission to investigate the UK aid given to Hoover to persuade the US company to relocate a vacuum cleaner plant to Scotland with the loss of 600 jobs in the Dijon region, Mr Pierre Bérégovoy, the prime minister, confirmed yesterday.

At the same time, he said that if Grundig, the German electronics company, closed its television plant at Creutzwald in north-east France and transferred production to Vienna, he would protest to the Austrian government. Grundig, which was considering possible closure at its headquarters in Fuerth yesterday, said the issue would be discussed again at another board meeting on February 12.

Mr Bérégovoy said that if Austria wanted to join the European Community "it must respect certain rules of the game".

A spokeswoman for Mr Bérégovoy accepted Brussels' denial that it had not given Hoover any direct EC aid. But she said the Scottish Office assistance to Hoover fell into the category of national aid "which has to be authorised by the Commission" and that France wanted to ensure such authorisation had been duly given. "It is not in the spirit of the Treaty of Rome to destroy jobs in one country to create them in another," she said.

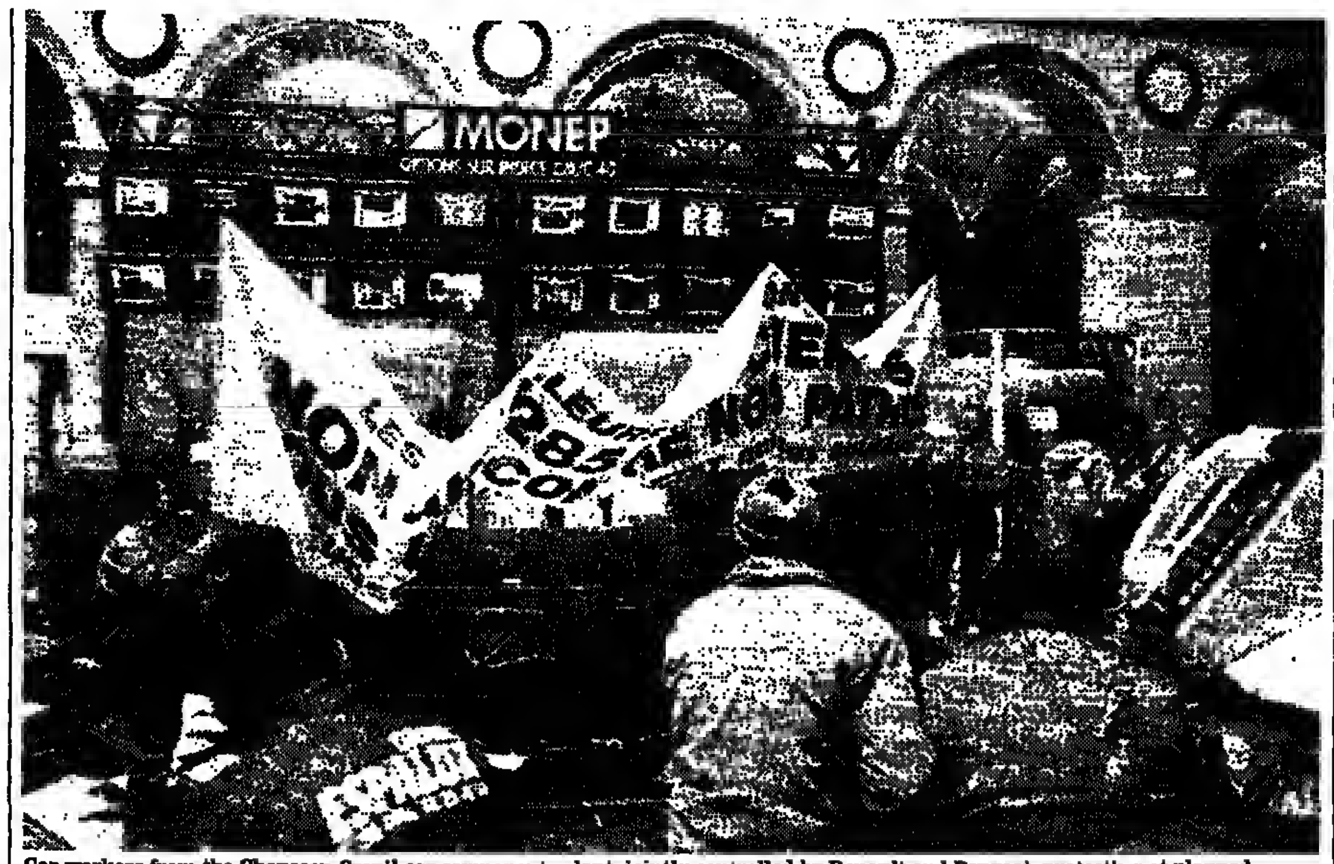
Mr Jean-Pierre Soisson, the agriculture minister who is also president of the Burgundy region where Hoover's Dijon plant has been located, complained that the US company had indulged in "Apache tactics", scalping various European governments for their investment aid.

Mr Richard Rankin, marketing director of Hoover Europe, denied this on French radio and said his company sought a meeting with the French authorities to explain their decision.

Within two months, France's ruling Socialists face a general election in which a poll yesterday predicted they would win less than the Greens. Unemployment has risen sharply, with new figures due out today expected to top 3m.

At his weekly press conference, Mr Bérégovoy also called for a real EC debate on "social dumping," the prospect of a competitive undercutting of work and pay levels to attract investment.

But the government appears to be leaving it to the French trade unions to complain to their European colleagues about the restrictions which Scottish unions have accepted to woo Hoover. In the Maastricht treaty, the UK exempted by its EC partners from much future Community social legislation.



Car workers from the Chausson-Creuil car components plant, jointly controlled by Renault and Peugeot, protesting at planned lay-offs, force their way into the Paris Bourse yesterday, where they halted trading in stock options and financial futures

G7 near deal on nuclear safety fund

LEADING industrial nations, fearing another Chernobyl-style nuclear disaster, have finalised plans for a $700m fund to improve safety at east European reactors, Reuter reports from Bonn.

Officials who took part in nearly six months of German-led talks by experts from the Group of Seven states said yesterday that agreement had been reached on rules for the fund.

They said swift approval by the governments of the US, Japan, Canada, Germany, France, Britain and Italy was expected. The fund would be administered by the London-based European Bank for Reconstruction and Development (EBRD), which specialises in helping Europe's former communist states.

At least Ecu60m ($74m) would need to be pledged, the officials added.

Other industrial countries are expected to join the G7 with contributions to the so-called "nuclear safety account".

One official said: "There are signals, especially from the Nordic countries but also from others, that they want to take part."

The fund will finance loans to east European governments for upgrading operations and hardware in projects that cannot be covered by bilateral aid. The safety improvements are for some of the 32 Soviet-built reactors deemed safe enough to be worth upgrading.

However, another 26 reactors, most of them of the same type as the one at Chernobyl plant which exploded in April 1986, will be excluded.

Western experts say they are inherently unstable.

Germany will contribute DM21m ($13.2m) a year to the fund during its initial three years, from 1993 to 1995.

The US and Japan, whose doubts about a multilateral fund were largely blamed for stalling the project, will also pay into the fund, although officials declined to say how much.

The plan was agreed in principle last July at a Munich summit of the G7 nations. But its slow progress has been an embarrassment for western governments who said they wanted emergency steps to prevent a repeat of the world's worst nuclear disaster, when Chernobyl spewed radiation over much of Europe in April 1986.

India and Russia resolve 15-year dispute over debt

By Shiraz Sidhva in New Delhi

INDIA and Russia yesterday resolved a 15-year-long debt dispute which has marred relations between the two countries since the collapse of the former Soviet Union.

President Boris Yeltsin and Mr PV Narasimha Rao, India's prime minister, agreed that repayment of India's Rs330bn (£8.2bn) debt to the former Soviet Union would be based on exchange rates which would reduce the total amount, and that repayments would be stretched over about 45 years.

Mr Yeltsin, on a three-day visit to India, had cordial talks with Mr Rao as part of a bid to improve relations which have suffered since the collapse of Soviet communism, with Delhi turning towards the United States. He expressed support for India on issues such as its dispute with Pakistan over Kashmir.

The Soviet Union had allowed India to make payments in rupees. But depreciation of the rouble had made unrealistic Russia's demands for repayment of debts built up in this way, Indian officials said.

"The rupee-rouble settlement will allow us to establish meaningful bilateral relations, starting afresh," an Indian official said.

Under the agreement, details of which were being worked out last night, 63 per cent of the debt will be repaid at the January 1, 1990 rate of Rs19.9 per rouble, and the remainder at the Rs31.57 rate of April 1, 1992.

The two countries have also signed 10 agreements on the second day of President Yeltsin's visit, including a treaty of friendship and co-operation, defence co-operation, trade, narcotics control, security, and co-operation in the fields of science and technology, culture, and information.

Mr Sharad Pawar, Indian defence minister and his Russian counterpart, Mr Pavel Grachev, signed a comprehensive defence agreement to guarantee supply of defence equipment, spares, product support and services needed for the maintenance, repair and modernisation of frontline Russian armament deployed by the Indian armed forces.

A defence ministry official said the defence agreement would boost India's defence preparedness and relieve a crisis of spare parts of the Russian defence equipment that India heavily relied upon, such as the MiG-29 fighter aircraft, the upgraded T-72M tanks, mobile anti-aircraft missile systems, warship missile spares and other ranges of Russian helicopters and giant transport aircraft.

India and Russia also signed four trade agreements on the modalities of counter-trade, debt repayment, utilisation of technical credit, and India's repayment for machinery and equipment from the erstwhile Soviet Union.

Under the counter-trade agreement, persons from either country would be free to import and export goods and services on the basis of any internationally-recognised form of business co-operation.

New small car is unveiled today

GENERAL Motors Europe unveils today its new generation small car, the Opel/Vauxhall Corsa pictured below, which has been developed at a cost of around DM1.5bn (£599m), writes Kevin Done.

GM (Opel in continental Europe and Vauxhall in the UK) is aiming to increase significantly its share of the market for small care in west Europe witb the launch of the new Corsa against rivals such as the Ford Fiesta, Fiat Uno, Renault Clio and Peugeot 106.

GM has reduced the development time for the Corsa to only 36 months, its fastest new model development programme in Europe.

Small cars in the Corsa/Fiesta class account for around 28 per cent of all new car sales in west Europe. GM will build the Corsa at its plant at Zaragoza, Spain and at Eisenach in eastern Germany.

Manila leader calls for more foreign investment

By Kieran Cooke in Kuala Lumpur

PRESIDENT Fidel Ramos of the Philippines has made a strong appeal for more foreign investment in his country, saying his governmeot's openness to investors is "wholehearted and unequivocal".

Mr Ramos, wbo is on a four-day atate visit to Malaysia, said the Philippines was determined to create a favourable climate for investors and was already tackling some of the country'a problems, such as power shortages and crime.

Urging Malaysian business to pay more attention to the Philippines, the president said investment and two-way trade between the two countries was still very amall. Malaysian investments represent leas than 1 per cent of total foreign investment in the Philippines. Malaysia'a trade with the Philippines is also under 1 per ceot of its total trade.

Mr Ramos is making the first state visit to Malaysia hy a Philippines president for 25 years, though both countries are in the Association of South-east Asian Nations.

The Malaysian state of Sabah is 2¼ hours by air from Kuala Lumpur, but not far from the south of the Philippines, and hundreds of thousands of Filipinos work there.

Mr Ramos and Dr Mahathir agreed to set up a joint commission to review the position of these migrants. It was also agreed to investigate setting up an economic zone encompassing Sahah, the Philippines island of Mindanao and the Indonesian island of Sulawesi.

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Oman tank deal may be worth £150m

By David White, Defence Correspondent

MR JOHN MAJOR, the British prime minister, yesterday confirmed that Oman had agreed to buy Challenger 2 tanks from Vickers of the UK.

The purchase, expected to be worth about £150m including spares and training, is the first export order for the new British tank in a fiercely competitive world market.

It follows British contracts from Oman for Hawk jet aircraft and two missile-carrying corvettes. Mr Major, on a stopover on his return from India, made tbe announcement in Muscat after talks with Sultan Qaboos hin Said, Oman's ruler.

The initial contract will involve 18 tanks and four armoured repair and recovery vehicles and is expected to be followed by another order for 20-30 tanks.

Vickers already provides support services for Oman'a fleet of UK-mada Chieftain tanks.

Mr Major said the sale would sustain employment at Vickers' tank factories in Leeds and Newcastle upon Tyne, which each employ about 800 people.

Vickers is depending on export business to keep both production lines in operation after the UK government's decision in 1991 to buy only 140 of the new Challenger 2s.

The Omani deal follows a hig setback to Vickers' export hopes last October, when Knwait opted to buy 236 M1A2 Abrams tanks, made by General Dynamics of the US, in preference to the Challenger 2.

● Tbomson-CSF, the Frencb defence electronics group, and Short Brothers, tbe Belfast aerospace company owned by Bombardier of Canada, both refused comment yesterday on speculation about an imminent link-np in the missile business.

However, they said discusalons were continuing on jointly developing a successor to Shorts' Starstreak missile.

Sharp rise in air travel

EUROPEAN airlines said yesterday the number of passengers they carried on international routes rose by 12 per cent last year, but the increase largely represented recovery of traffic lost during 1991, Reuter reports from Brussels.

The Association of European Airlines said its 23 members carried 110m passengers over the year, 11.7m up on 1991 wben traffic was hit by the Gulf war which persuaded many prospective passengers to stay at home.

The AEA also forecast gloomy financial results for its members last year.

Dutch retail sales rise

RETAIL sales in tbe Netherlands rose 2.7 per cent in 1992, buoyed by gains in both food and non-food sectors, according to preliminary figures released by the Dutch Central Bureau for Statistics, AP-DJ reports from Amsterdam.

The data, which was not corrected for price increases, also showed sales at the country's department stores grew just 0.8 per cent last year. Department store sales rose 1.4 per cent in 1991.

The 1992 Dutch retail sales continued a declining trend over the past two years.

Major in attempt to ease allies' Gulf fears

By Ralph Atkins in Riyadh

BRITISH Prime Minister John Major yesterday sought to reassure the Gulf allies of the UK, US and France that attacks on Iraq were not intended to break up the country.

Speaking in Oman, he said the allied countries were united in strategy against Iraq's President Saddam Hussein. "I am quite confident of that," Mr Major said, in spite of some evidence of tension over recent attacks.

Later, Mr Major had dinner with King Fahd of Saudi Arabia in Riyadh, where he was expected to discuss the delayed second phase of the Al Yamamah arms sales project, under which British Aerospace expects to win contracts for 48 Tornado bombers and other weaponry.

The second phase was to have been agreed on more than four years ago.

Mr Major was conscious that Oman and Saudi Arabia are concerned about Iran's strengthening as a regional power no longer checked by Iraq. But, in his talks with Sultan Qaboos of Oman, he would have emphasised that allied strikes enforced United Nations resolutions and international law.

Mr Major's discussions also covered the Bosnian situation. He played down the chances of UK military intervention to protect Moslems there, saying that helping humanitarian aid and searching for a political settlement were, "for the time being, the way forward."

He told a news conference that he supported calls for the 400 Palestinians expelled by Israel "to be returned from whence they came."

● France yesterday called on the UN Security Council to force Israel to take back the 400 Palestinians it expelled and questioned an Israeli court decision upholding the deportations.

"It is up to the Security Council to enforce Resolution 799," Foreign Ministry spokesman Daniel Bernard said.

Rabin calls on US to prevent UN action

By Hugh Carnegy in Jerusalem

ISRAELI Prime Minister Yitzhak Rabin yesterday called on the US to block any punitive action against Israel by the United Nations following approval by the Israeli High Court of the unprecedented expulsion last month of more than 400 Palestinians to Lebanon.

The unanimous decision by the court's seven judges removed any prospect of Israel abiding by UN Security Council resolution 799 which condemned the expulsions as illegal and demanded their immediate reversal. It further dimmed the prospects of an early resumption of Middle East peace talks.

The Palestine Liberation Organisation said it was seeking an urgent meeting of the Security Council to impose sanctions on Israel. The issue poses a dilemma for Washington, which opposes sanctions but which backed resolution 799 and is reluctant to use its UN veto for what would be the first time in two years.

Mr Rabin said he looked to President Clinton to protect Israel at the UN. "This has been the policy of all Presidents and all administrations of the US. Certainly that is what I expect."

The prime minister gave little sign of any move to compromise over the issue which Washington – and many members of his government – favour. He said he believed peace negotiations would resume and succeed.

But Palestinian leaders and Arab governments said the High Court ruling damaged efforts to make peace. The PLO reiterated that it would not return to talks until the deportees were returned home.

The court said the expulsion of the 415 alleged Islamic fundamentalist militants was legal under an emergency regulation promulgated in 1945 under the British Mandate. Although subsequently annulled by Britain, Israel continues to recognise Mandate orders. The High Court rejects the UN insistence that the Fourth Geneva Convention, which bars expulsions, applies to the occupied territories.

The court insisted that those expelled be able to appeal personally in military tribunals. But it accepted the government's submission that it had the right to expel them without the right to prior appeal under the special circumstances which prevailed at the time. The expulsions followed a spate of killings of Israeli soldiers by Islamic militants.

The army said it would provide facilities for appeals in Lebanese territory it occupies close to where the deportees have been camped for six weeks. The deportees say they will refuse to appeal.

The court did rule against a general expulsion order covering unspecified numbers, but ruled that the individual expulsion orders against the Palestinians were legal.

Israeli lawyers said these rulings opened the way to further mass expulsions. Palestinians said they underscored their belief that the Israeli legal system was a sham when it came to Palestinian rights.

Mr Rabin said he hoped the international community would note the High Court's reference to examples in US and British law where the right to prior appeal was waived. It cited from the US was the need to remove bad meat from public sale and to force people with infectious diseases into hospital.

Indian economy set for recovery

THE INDIAN government's efforts to instil confidence in the economy, following the recent inter-religious violence, yesterday received a boost with the publication of an official forecast predicting a growth rate of 4.2 per cent for the year to June 1993, Stefan Wagstyl reports from New Delhi.

The figure suggests that the economy is set for a solid recovery after a sharp slowdown in 1991-92, when gross national product (GNP) grew by just 1.4 per cent. However, the disruption caused by riots in Bombay and other cities may have come too late to have been fully reflected in the forecast prepared by the government's Central Statistical Organisation.

The main contribution to growth is the likely bumper performance of agriculture, which has benefited from exceptionally good weather. Farm output is expected to grow 4.2 per cent, according to the CSO. Construction and services, including financial services, are also expanding rapidly. However, manufacturing, which last year suffered a 2.3 per cent decline, is recovering only slowly. The CSO expects growth in manufacturing of just 3.5 per cent.

This year's recovery is in line with the expectations of the government, and of the World Bank and the International Monetary Fund which are assisting India's economic reform programme with loans. Last year's growth was held back by a tight squeeze by the government designed to cut imports and curb inflation. Now the authorities are slowly releasing their grip in the hope of promoting sustained growth fuelled by exports and by the opportunities created by deregulation.

But there is still a long way to go before most Indians share the benefits of faster growth. With the population growing at 2 per cent a year, the CSO estimates that per capita output will increase this year by just 2.2 per cent.

Cambodia's ambitious prince wins out

World's costliest peacekeeping mission goes to Sihanouk, writes Victor Mallet

THE FACT that yesterday's meeting of the Cambodian Supreme National Council was held 3,000 miles away from Cambodia – in Beijing – was only the latest indication of how the volatile Prince Norodom Sihanouk has bent the UN's most expensive peacekeeping mission to his will.

Prince Sihanouk says he needs to stay in Beijing to be tended by his Chinese doctors, and is thought to have suffered a minor stroke recently.

But this has not stopped the 70-year-old prince from cajoling and in some cases strong-arming the five permanent members of the UN Security Council into accepting his plan to have him elected Cambodian president.

Cambodian elections, threatened by continued violence and intimidation of voters, were one of the main topics of discussions in Beijing yesterday between the four Cambodian factions, the UN, and various governments.

The Cambodian peace accords signed in Paris in October 1991 provided for a general election to be held in May this year under UN auspices, part of an operation costing about $3bn (£1.9bn). Yesterday's meeting agreed that the election would take place between May 23 and 25.

The accords made no mention of a presidential poll, but Prince Sihanouk has persuaded most of the signatories that his presidency will be vital for the stability of Cambodia, particularly while the soon-to-be-selected national assembly works to approve a constitution and form a government.

Another reason, frequently repeated by the prince in private, is his desire to win a popular mandate for his leadership and blot out the ignominy of his overthrow in a coup by Lon Nol in 1970.

France, Russia and China were content with the idea of Prince Sihanouk becoming president before the general election. The US, Britain and the UN were not. The prince forced them to agree: by retiring to Beijing and sulking, by briefly carrying out a threat to cease co-operating with the UN, and by refusing to sign agreements for much-needed loans from institutions such as the World Bank (in his capacity as SNC chairman).

UN officials and western diplomats muttered "blackmail", but yielded to the prince, leaving only the timing of the presidential election unresolved.

The risks involved in alienating the ambitious prince – revered by peasants as Cambodia's "god-king" – were evidently too high. But the diplomats involved in the negotiations over Cambodia are painfully aware that there are dangers too in making him president.

First, they fear that his authoritarian tendencies, amply demonstrated in the past, will come to the fore in an office whose powers cannot be defined until there is a Cambodian constitution in August.

There is already worried talk of "a new Sangkum", a reference to a movement created by the prince in 1955 which defeated his long-established political opponents with considerable help from a campaign of intimidation and repression.

Second, there is concern that Prince Sihanouk's weaknesses will be ruthlessly exploited by the Khmer Rouge, the extreme left-wing group blamed for the deaths of 1m Cambodians between the overthrow of Lon Nol in 1975 and the Vietnamese invasion of 1978.

The Khmer Rouge has repeatedly violated the Paris accords by breaking the ceasefire and refusing to allow the UN access to its territory, although it signed the agreements in 1991 and is one of the four factions represented on the SNC. It has rejected the elections and is not among the 20 parties that applied for official registration before the deadline on Wednesday.

Yet, like almost any Cambodian leader, Prince Sihanouk will be so appalled by the idea of a divided country after the elections (most of it under government control and the rest in the hands of the Khmer Rouge) that he might be tempted to invite the Khmer Rouge into some form of coalition to reunify the country.

The Khmer Rouge would thus have achieved political legitimacy – while ducking the blow to their credibility which would have come from doing badly in an election – and retained control over their territory, their people, their gems and their timber in the remote north-west.

As one academic who studies Cambodia put it recently, the problem is that "Sihanouk thinks he can manipulate the Khmer Rouge, and the Khmer Rouge think they can easily manipulate him."

At present, most of the diplomatic energy directed at Cambodia is focused on a dispute over the date of the presidential election. Typically, Prince Sihanouk has made three consecutive and contradictory statements: first he said it should be before the general elections; then he said it could be simultaneous; and then he said it should be afterwards.

It is an open secret that what he actually wants is an early presidential poll to allow him to take charge as soon as possible, but those who were reluctant about the whole idea in the first place fear he would try to declare a "Cambodian solution" and cancel the general election if he were made president too soon.

Khien Samphan, Khmer Rouge leader, greets Norodom Sihanouk

Australia cuts growth prediction

By Kevin Brown in Sydney

THE AUSTRALIAN government yesterday cut its forecast for 1992-93 growth in gross domestic product (GDP) from 3 per cent to 2.5 per cent, confirming earlier indications that the economy is recovering more slowly than expected.

The announcement coincided with the eighth successive quarterly reduction in the inflation rate, which fell to a 30-year annualised low of 0.3 per cent at the end of December, the lowest in the Organisation for Economic Co-operation and Development (OECD).

However, Mr John Dawkins, the Labour treasurer (finance minister), said unemployment was unlikely to fall substantially below 11 per cent before the end of the financial year in June.

The government forecast in the August budget that unemployment would fall to about 10 per cent by June, the latest possible date for the next federal election. Unemployment has since risen to a record 11.3 per cent.

Mr Dawkins said the budget forecast of 2 per cent inflation for the current year would be revised downwards by an unspecified amount, but the forecast current account deficit would be revised upwards from 3.75 per cent to 4 per cent of GDP, equivalent to about A$16bn (£6.91bn).

He said the government had been forced to reduce its GDP forecast by sluggish growth in other OECD countries, which affects demand for Australian exports.

Mr John Hewson, the conservative opposition leader, said GDP growth was unlikely to exceed 2 per cent.

Cathay Pacific strike shows up flaws in HK's labour laws

By Simon Davies in Hong Kong

HONG KONG'S first significant industrial dispute since the 1970s has all but ended, with the management of Cathay Pacific Airlines saying more than 90 per cent of its 4,000 flight attendants are available for work.

The 15-day strike has highlighted glaring inadequacies in the colony's labour laws, at a time when Governor Chris Patten's push for further democracy has led to expectations of far-reaching change from the administration.

The dispute commenced after cabin attendants temporarily filled junior positions during staff shortages – three air hostesses were dismissed when they refused to comply, sparking a wildcat strike by the Flight Attendants Union.

It soon escalated into a debate over the right of workers to go on strike. Hong Kong labour laws provide no protection for management or staff. Cathay Pacific claims the strike was the work of a few trouble-makers and is calling for new legislation.

This is being echoed by the strikers, who were threatened with "disciplinary" action if they did not return – management has the legal right to dismiss them for breach of contract.

So far the government reaction has been muted. Mr Albert Chan, spokesman for the United Democratic party, said: "If there is no action taken by the administration, I would have to question the spirit of [Mr Patten's] policy speech." The party has been Mr Patten's staunchest supporter in the colony's Legislative Council.

The strike took place during Hong Kong's busiest holiday season, the Chinese New Year, when more than 1m people leave the city. Cathay Pacific spokesman Mr Rowland Cobbald said the company would continue chartering flights over the weekend to cope with heavy demand, but he claimed that normal flight schedules would resume by the start of next week.

The strike cost Cathay as much as $HK20m (£1.6m) a day. Mr Sheldon Kasowitz, director of Jardine Fleming Asia Research, said: "We will be reducing our 1993 profits forecast by $HK250m (£20.7m), to reflect the cost of the striks. On that basis, it is hard to argue that the management has won this battle."

China renews attack on Patten

CHINA has returned to the offensive against Hong Kong Governor Chris Patten's blueprint for political development in the colony, accusing Britain of duplicity and warning Mr Patten to back down, writes Simon Davies in Hong Kong.

The accusations ended a three-week lull in a dispute which had resulted in a sharp rally in local stock prices. The comments were published in an interview given to the pro-Beijing Mirror magazine by Mr Zhou Nan, China's most senior Hong Kong representative.

The Hang Seng Index yesterday fell 134 points, or 2 per cent, as investors interpreted the statements as a sign that China wants to shatter local confidence before the Patten blueprint is put before local legislators in late February.

Zhou, director of the Hong Kong branch of the New China News Agency, claimed Britain was using Hong Kong as a pawn to bring about political change within the mainland, and said it should find a way to back down. Mr Patten has stated his willingness to amend the proposals, but not withdraw them.

"If the so-called package they put forward this time is meant to sound out China's determination on matters of principle, now is the time for them to wake up," Zhou said.

In addition to the Zhou interview, Mirror magazine printed a hitherto-unpublished November speech by China's 88-year patriarch Deng Xiaoping, in which Deng said there was no question of compromise.

"If any superpower wants to interfere in China's affairs with these tricks to attain some political aims, we will fight to the end. On matters of principle, we cannot concede even an inch," Deng was quoted as saying.

Mr Robin Hammond, associate director of Wardley James Capel, said: "China has a vested interest in making sure there is not much confidence in Hong Kong before the LegCo vote. The quickest way for them to hit Hong Kong confidence is through the equity market."

In early January there had appeared to be conciliatory moves by both sides, but China looks to be returning to more confrontational tactics.

South African inflation at 15-year low

SOUTH AFRICA'S inflation rate has dropped into single figures for the first time in nearly 15 years reviving hopes of a turnround in the economy, writes Philip Gawith in Johannesburg.

Figures released by the Central Statistical Service (CSS) show that the rate of inflation, measured by the consumer price index, declined to 9.6 per cent in December from 11 per cent in November. This is the lowest rate of inflation since June 1978. The CPI declined by five percentage points in the second half of 1992, having stood at 16.2 at the end of 1991.

Economists have long been predicting a further drop in interest rates, and the most recent inflation figures have bolstered their case. Dr Chris Stals, Governor of the Reserve Bank, said yesterday that the bank was re-examining its monetary policy – often a signal, in the past, for a cut in rates. The prime lending rate currently stands at 17.25 per cent.

Mr Dave Mohr, chief economist at the Old Mutual group, said the decline in the inflation rate, which was sharper than predicted, was partly a function of large increases in the CPI in the second half of 1991, and partly the result of very small increases in the corresponding period in 1992. He cited lower meat and vegetable prices, and falling mortgage rates as important contributory factors. Other factors include a fairly strong exchange rate, and firm monetary policy with real interest rates now running at about 7.5 per cent.

Mr Mohr said inflation, which is a lagging indicator, reflected the weak state of the economy for most of 1992. South Africa'a GDP is estimated to have declined by about 2 per cent during 1992. Indicators suggest, however, that the economy picked up during the fourth quarter. Mr Mohr said the lower inflation improved growth prospects as it boosted people's real income situation.

Clinton administration may look at the fairness of its own trade laws

US not planning a steel war yet

By Nancy Dunne in Washington

A SHORT statement by Mr Ron Brown, the new US commerce secretary, was easily lost amid the cries of ontrage which greeted Wednesday's steel dumping decisions.

"Tbese determinations follow mandated procedures and other results of exhaustive investigations; as such they are not policy statements," he said.

After one week on the joh, the Clinton administration has found itself "on a train whicb had already left the station" as far as steel is concerned, said one Wasbington snalyst. The Commerce Department and US trade representative still lack the depnties, under secretaries and assistant secretaries whose inflnence will be vital in designing and implementing trade policies.

US officials have been at pains to emphasise that Wednesday's decision was preliminary. The Commerce Department will make its final determinations between April 12 and mid-June. The International Trade Commission will then have 45 days to decide if the imports have caused injury to the US industry.

Where President Bill Clinton has had to be specific – oo sopporting the North American free trade agreement – he displayed a willingness to take on domestic interests, and tha labour unions, for the sake of a forward-leaning policy. It will not be conducive to good relations in North America if the final decision is to impose dumping duties of 49-76 per cent on Mexican steel and up to 68.7 per cent oo Canadian steel.

The Canadian government has reacted to the steel cases in a way bound to grah the attention of the new administration. Three weeks ago it found American steel companies guilty of dumping steel plate. Today it is expected to find the US guilty of dumping hot rolled steel.

Mr Frederik Pelmer, chairman of Stelco, the largest Canadian-based steel producer, drove the point home at a press conference in Washington on Wednesday. "This kind of tit-for-tat action is ridiculous," he said. "It diverts our attention, our time and our mooey from dealing with the real structural challenges facing the steel industry in North America."

Canada's swift and strong response illustratas the danger foreseen hy many US trade experts. The use of "unfair" trade laws is spreading and providing a tool for protection-minded industries the world over.

With the US industry in jeopardy, the administration may take a closer look at the fairness of its own trade laws. They give the Commerce Department considerable discretion in how it determines dumping and subsidies. There is a growing body of literature finding those formnlas skewed towards the domestic industry. Critics complain that the US dumping law punishes foreigners for pricing behaviour that is no different from that of US companies, or that does not really distort trade patterns.

Another common criticism was voiced on Wednesday by the American Institute for International Steel, which represents importers. The dumping margins were overstated because they are based on distorted exchange rates.

The Clinton administration may agree to negotiate another round of "voluntary quotas". Or it may move to reform its trade laws. The much-abused "policy wonks" now in power have to be given time to study their options.

EC tries to step back from confrontation

By Our Foreign Staff

THE European Community yesterday stepped back from confrontation with the Clinton administration over tbe US Commerce Department's decision on Wednesday to impose stiff anti-dumping penalties on carbon steel producers from 19 countries.

In remarks which tempered earlier condemnation of tbe decision to impose preliminary dnties, the EC made clear that it did not wish to paint the oew administratioo in Washington as protectionist.

"We do not believe there has beeo an ideological change," said a spokesman for Sir Leon Brittan, EC trade commissioner. He guardedly welcomed s statement from Mr Ron Brown, US commerce secretary, that the anti-dumping decision was hased on mandated legal procedures, and was not a new policy statement from the Clinton administration.

The Commissioo effort to calm the firestorm of criticism appeared aimed at leaving Sir Leon plenty of room for manoenvre when he meets Mr Mickey Kantor, his US counterpart, in Washington on February 11. It may also have been aimed at averting unnecessary public attacks which could jeopardise already-fragile prospects for an agreement in the Gatt global trade talks.

However, Eurofer, the European confederation of iron and steel industry, condemned the duties as "extremely serious" for the future of international trade, as well as being unjust, unacceptable and arbitrary.

In Paris, an angry government threatened to push for a EC complaint to the General Agreement on Tariffs snd Trade against the US duties.

The mova would hlock all French and German steel exports to the US, claimed Mr Francis Mer, chairman of Usinor Sacilor, the French state-owned steel group which is the world's second largest producer.

That represented a loss of $2hn (£1.3hn) annual exports for European steel makers, including FFr1.5bn (£182.3m) of sales from Sollac, Usinor Sacilor's flat products division. If confirmed, the duties would also force Usinor Sacilor to shed more jobs, on top of the 7,000 people who left the group last year.

In Germany, Mr Rupert Vondran, head of the German Steel Federation, denounced the US decision as hlatantly protectionist and called on the German government and the EC to confront it with firm action.

He said the US measures would affect 600,000 tonnes of German steel exports worth just under DM500m (£205.7m). A further 6m tonnes of products from other steel producers harred from the US would increase pressure on European markets and exacerbate the problems which have thrown the European steel industry into recession, he said.

He said German steel companies had already curbed their deliveries to the US last year. They remained 40 per cent below quotas allocated to them hy the US administration.

The US was trying "to settle domestic problems at tbs expense of foreign trade partners". He said price leaders on the US markets were not foreign steel importers hut the local mini-mills, which enjoyed favourable costs and had lifted market share from 14 to 24 per cent in the last few years.

In London, the departmeot of Trade and Industry described the US measures as "protectionist" aod "an outrageous harassment".

Mr Michael Heseltine, trade and industry secretary, had written to Mr Brown saying the move was unjustified and disproportionste.

Privately, senior EC officials were seething yesterday at the US decision, which comes as Europe's steel producers are suffering from falling prices and cheap imports from eastern Europe.

They expressed most irritation at the way EC producers had beeo penalised during a period including the 10 years to March 1992, when a "voluntary" restraint agreement for steel between the US, the EC and other leading steel exporters was in force.

By Lionel Barber in Brussels, William Dawkins in Paris, Arione Genillard in Bonn and David Owen in London

Japanese fear protectionism may be on the rise in Washington

Tokyo may be more assertive in future, reports **Michiyo Nakamoto**

THE preliminary ruling by the US tbat Japan and 18 other countries have been dumping steel products in the US triggered dismay and a flurry of protest yesterday from the Japanese authorities and the steel industry.

Both the foreign ministry and the Ministry of International Trade and Industry (Miti) promptly issued statements expressing deep regret at the rulings and called on the US authorities to make "truly impartial judgments" in reaching their final ruling in April.

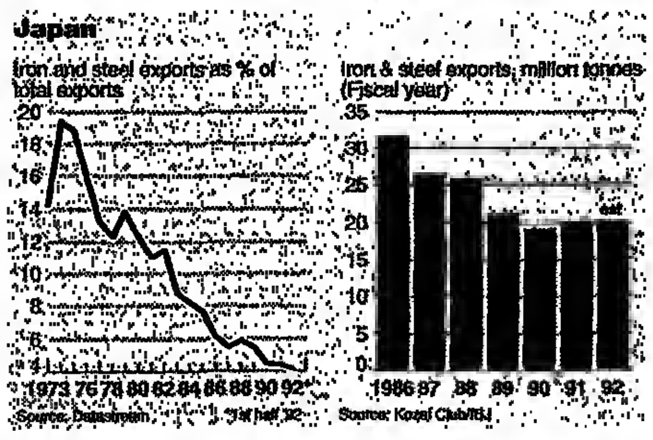
Mr Hiroshi Saito, president of Nippon Steel, the world's largest steel compaoy, and chairman of the Japan Iron and Steel Federation, said the Japanese steel industry had made serious efforts to ensure orderly trade witb the US and would continue to press its claim tbat Japanese imports were not being dumped in the US and were not harming the US industry.

The Japanese autborities and industry officials warned that tbe massive filing of anti-dumping and countervailing petitions could adversely affect tbe relationship between the Japanese and US steel industries and pose a serious ohstacle to progress in agreeing rules for world steel trade througb the Multilateral Steel Agreement negotiations.

The steel ruling, in the wake of reports that the Big Three car makers are preparing to file dumping actions against imported cars and suggestions that the new administration of President Bill Clinton may revive the Super 301 provision of tbe US Trade Act, has fanned fears in Japan of growing US protectionism.

Concerns about a protectionist administration in the US has already led to widespread public debate in Japan over what the country needs to do to defuse tension with the US.

While puhlicly the authorities say it is too early to tell what trade policy the new US administration will adopt, recent official statements indicate that Japan may adopt a more assertive stance in putting its case forward in trade disputes with the US.



Both Miti and the foreign ministry claimed yesterday that the problems of the US steel industry stem largely from domestic causes.

"It is... difficult for Japan to consider that Japanase steel products could have damaged the US steel industry at the time when the VRA [Voluntary Restraint Arrangement] was in place until the end of March last year," the foreign ministry said.

Japanese exports of steel to the US have been falling, and the uncertainty surrounding tbe anti-dumping petition by US steelmakers last summer has already stalled steel trade negotiations with the US, Japanese industry officials said.

If the preliminary ruling and dumping margins of 15 to 27 per cent are upheld when the US makes its final ruling, Japan could see its steel exports to the US halved.

The Japanese authorities make it clear that they intend to examine whether the US determinations on steel are consistent with the Gatt provisions, the implication being that if they are not, and if the final ruling hy the US remains affirmative, Japan may refer the issue to Gatt.

Earlier this week, Mr Sozaburo Okamatsu, director-general of Miti's international trade policy bureau, suggested that the revival of Super 301, which allows the US to impose sanctions on Japan unilaterally, could lead to retaliatory action by Japan in line with the Gatt regulations.

Saito: 'no dumping'

Free trade threat irks Seoul

By John Burton in Seoul

THE Korea Iron and Steel Association said the US dumping ruling "destroyed the free steel trade order".

Korean steel exports to the US last year amounted to $725m (£476.9m), accounting for 13.8 per cent of the country's total steel exports.

The dumping duties on four steel products, including a 30 per cent penalty on Korean hot-rolled steel sheets, would affect almost two-thirds of its steel exports to the US.

Pohang Iron and Steel (Posco), Korea's biggest steel company, was the most seriously affected by tbe duties imposed on four Korean companies. Posco mainly provides bot-rolled steel to UPI, a California-based, 50-50 joint venture by the Korean state steel company and USX.

Posco bopes to compensate for the threatened lost exports to the US by increasing shipments in east Asia.

The other Korean steel companies affected include Dongbu Steel, Dongkuk Steel Mill and Union Steel Manufacturing.

In an attempt to avoid other trade problems with tbe US, the Korean government said yesterday it would enforce protection of intellectual property rights. The US has complained about lax protection of sucb rights in Korea, including illegal use of software, trademarks, and copyrights.

Jurek Martin assesses the first week of Bill Clinton's presidency

Touching nerves on a learning curve

IN THE FIRST week of his presidency Mr Bill Clinton has shown himself more than capable of touching a few raw national nerves in the US. His appointment of his wife, Hillary Rodham Clinton, to head the task force on health-care reform, and his determination to end the military's discrimination against homosexuals, may be socially and politically controversial – for sure, they are not the acts of a shrinking violet.

Both decisions may be seen as deliberate counterbalances to the impressions of uncertainty left by the last week of his transition into office – when, as Senator Daniel Patrick Moynihan of New York tartly observed, "the clatter of broken campaign promises" could be heard all over Washington – and to Mr Clinton's swift tactical retreat when his nomination of Ms Zoe Baird to be attorney-general ran into deep trouble.

But these decisions may also reflect, as did his inaugural address, a conscious determination not to neglect what he promised to do in the campaign: in sum, to avoid the mistakes four years ago of President George Bush who took over and did very little until his invasion of Panama.

The elevation of Mrs Clinton, a lawyer, should come as no surprise. Her role in the election campaign was played down for political reasons, after a few early and not entirely tactful remarks about baking cookies, but neither the president's reliance on her advice nor her intellectual and professional credentials have been in serious dispute. Their partnership had long passed that of the just familial.

Still, she presents a new target for those on the right who rail against "feminazis," as Mr Rush Limbaugh, the virulent talk show host, likes to call independent professional women. The reintroduction of her maiden name, which disappeared after her husband had lost his first bid for re-election as governor of Arkansas, has excited more adverse comment from the hyper-critical than the choice of hat she wore for the inaugural walk down Pennsylvania Avenue.

Recognition of her influence also creates an element of uncertainty in a Washington unaccustomed, since Eleanor Roosevelt in the 1930s and 1940s, to dealing with a First Lady on substantive policy-making.

Disputes with women cabinet secretaries may be fair game, but the rules of engagement with Mrs Clinton, answerable in the first instance only to her husband, are not so clear.

However, Mr Clinton has made clear that he considers ending the ban on homosexuals in the military to be a matter of principle. He frequently cites comparable resistance more than 40 years ago to the full racial integration of the US military, forced on an unwilling top brass by President Truman. The new president's campaign commitment to end the exclusion was unequivocal.

To him it is conduct that matters, not a person's sexual orientation. Some of his aides point out that, while the military record on race may now be exemplary by US standards, it has also condoned some gross misconduct – as shown by the notorious Tailhook revelations of appalling sexual harassment of women.

In the last analysis the military high command will do, as it always has, what it is told by its civilian commander-in-chief. But it is not above trying to throw a few blocks in his path, not least by exploiting its connections in Congress.

Opponents there of keeping gays out of the armed forces maintain their presence would be detrimental to conduct, morale, privacy and efficiency, though the evidence adduced is often thin, and that the president would be exceeding his authority by unilaterally ending it. (In practice, Mr Clinton will almost certainly pursue a phased, consultative approach.) Above all, they argue that the president should heed the advice of his senior officers, who have forged such a fine fighting force.

There is also a deep national ambivalence about gay rights, extending far beyond the religious, homophobic right. There are constant battles about whether school textbooks should acknowledge homosexuality as an accepted way of life. Last year several states, most controversially Colorado, passed laws appearing to encourage, or at least not to discourage, discrimination against gays.

Mr Clinton, therefore, has stepped into a political and social minefield, convinced he has right on his side. He is respected for this, but not necessarily for the wisdom displayed in taking it on so early in his presidency, thus putting at risk a large stock of his initial political capital, already a little depleted by the Baird withdrawal.

Put crudely, the argument is that, when it comes time to cut the military budget, he will be in need of the support of the likes of Senator Sam Nunn, Democratic chairman of the Senate armed services committee and an opponent of ending the ban on homosexuals. There is already tension between Mr Clinton and Mr Nunn.

There is also the threat of mischief in Congress, for example, by tagging on to the family leave bill an extension of the homosexual ban, thus forcing the president to veto a measure high on his agenda. Representative Tom Foley and Senator George Mitchell, Democratic leaders of the House and the Senate, would rather not have to finesse this one, and do not want Congress to lapse back into "gridlock" even before the president's domestic policy agenda is on the table.

Mr Clinton can take some consolation in the knowledge that, either way, he was going to be damned and that to leave his wife under wraps and gays out of the military might not have been the softer options. The learning curve is steep.

Close to the chief: Hillary Rodham Clinton is in line to be a First Lady of substance

GAYS IN THE WESTERN MILITARY

No formal discrimination	Moves to liberalise
Australia Austria Belgium Canada Denmark Finland France Germany* Netherlands Norway Spain Sweden Switzerland	**New Zealand:** Leaked Defence Ministry paper last month said armed forces had agreed to drop ban on recruitment and employment **US:** Clinton administration has proposed dropping ban **Discrimination remains** **UK:** Criminal offence abolished last June but MoD still discharges those it discovers to be gay **Ireland:** All male homosexual acts illegal

* Allegedly barred in practice from officer rank

Source: Stonewall Group

Disparate Republicans to pick new leader

By George Graham in Washington

REPUBLICAN leaders in the US have gathered in St Louis to elect a new party chairman for the task of leading them back to the White House after last year's defeat of President George Bush.

The task is a formidable one, for the Republicans have not yet worked out how to draw voters with a diversity of views on social issues, such as abortion, back into the coalition that worked so successfully for Mr Ronald Reagan.

Ideology is expected to provide a strong undercurrent at the St Louis meeting. Many of the 165 Republican national committee members who will today elect the chairman are worried about the widespread perception that their party has been taken over by fundamentalist Christian right-wingers.

According to soundings taken by the White House Bulletin, a Washington newsletter, 80 per cent of committee members believe their party should scrap or revise its traditional platform promise to work for a constitutional amendment banning abortion.

But most of the chairmanship candidates have steered clear of the ideological debate, and have emphasised the "nuts and bolts" job of strengthening the party's grassroots organisation.

The two leading contenders are Mr Haley Barbour, a Mississippi party official who served in the Reagan White House but who may have spent too long as a Washington lobbyist for the committee's taste, and Mr Spencer Abraham, a former Michigan party chairman who may be too closely identified with former Vice-President Dan Quayle, a potential candidate for the 1996 presidential nomination.

Mr John Ashcroft, who has just stepped down after eight years as governor of Missouri, may have the political stature but some Republicans are wary of his ties to the religious right. Mr Bo Callaway of Colorado and Mr Craig Berkman are viewed as outsiders.

This is the first chairmanship contest for the Republicans since 1977. When the party holds the White House, the president can select his own chairman, as President Bill Clinton did for the Democrats last week in picking Mr David Wilhelm as chairman.

The Republicans, in fact, may be in better political shape than their loss of the White House would suggest. They have more governors and members of Congress than when they lost presidential elections in 1960 and 1976.

But, with Mr Ross Perot lurking in the wings as an alternative, the new chairman will have a struggle to ensure his party casts a wide net for voters.

Brazilians on the road with a long tale to tell

Stephen Fidler and **Christina Lamb** on debt doubts

THE BRAZILIAN government sent on its way this week a roadshow meant to explain, to creditors across three continents, the agreement in principle reached last July to restructure $44bn (£28.9bn) of Brazil's foreign bank debt.

Such roadshows have become a convention over the decade since the onset of Latin America's debt crisis. But never before, at this stage of a large debt restructuring, has its final outcome been so much in doubt.

The tour – headed by Mr Pedro Malan, the chief debt negotiator – began on Wednesday in New York before at least 200 bankers. The first presentation lasted more than four hours and was criticised by some bankers as being unnecessarily long and rather ramshackle.

Presentation, however, may be the least of Mr Malan's problems. The Brazilian accord is the only such agreement to have reached this stage without the borrowing country having in place a current International Monetary Fund programme.

Also, it comes during a transition for economic policy under President Itamar Franco's new government.

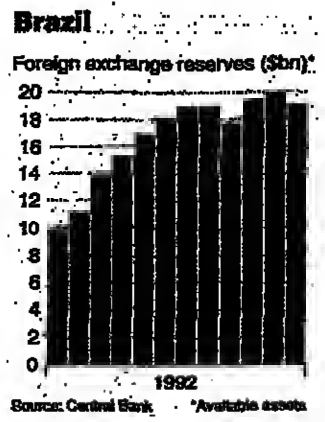
Mr Paulo Haddad, economy minister, is to fly to Washington on February 6 to open negotiations with the IMF on a new accord, the last having lapsed after the first instalment because of Brazil's failure to meet targets. A technical mission of the fund is expected in Brasilia next week.

The government is hoping for a sympathetic hearing on the basis of the country's demonstration of institutional strength throughout the bringing to book last year of Mr Fernando Collor, then Brazil's president, who was accused of corruption.

However, some bankers believe that the fund may have reached its limit of tolerance towards Brazil. In the absence of clear economic policy direction from the new government, legislation to increase taxes, now before Congress, may not be enough to obtain a new accord.

It is unclear how Brazil, with no IMF accord in place, intends to pay the $3.2bn collateral to guarantee some of the bonds to be issued under the accord, at least half of which is supposed to be provided by multilateral agencies and the rest from reserves.

European bankers had no success in attempts to convince the Brazilians to delay the debt tour at least until after the IMF negotiations.



Some US banks keen to see the deal go ahead have been pushing Brazil to use its reserves, which are at historic levels – $19bn in cash at the end of last year – and thus move ahead without the IMF. One said: "If Brazil wants to meet its foreign commitments, it will do so whether or not an IMF deal is in place. Brazilian letters of intent with the IMF are little more than junk mail anyway."

However, to put up all the money from reserves would be politically difficult for the Brazilian government and unlikely to obtain the necessary Senate approval.

The most likely course is that many banks will indicate their choice of options – although the February 22 deadline seems unlikely to be met – hoping that Brazil will make progress with the IMF and its own fiscal situation. One European banker said: "If, by February 22, they don't have an IMF deal, I don't think that would stop me from recommending that we tender our debt."

Bankers supporting the deal emphasise the new government has followed to the letter the agreement reached under the Collor government.

The lack of an IMF accord is not the only difficulty, however. The six options open to creditors make it one of the most complex "Brady" debt reduction deals to have emerged. Even with an IMF accord, $3.2bn is unlikely to be sufficient to provide the necessary guarantees for the new bonds immediately. So the remaining guarantees will have to be phased in over two years, or bonds issued in place of the guarantees.

Furthermore, as in the Argentine agreement completed last year, some banks will not get the choice they want. Brazilian officials have indicated they want "balance" in the deal. This is code for saying they do not want all the banks to choose the most attractive option which, at current low US interest rates, is the "par" bond.

These bonds would be the most expensive for Brazil and are likely to use the most collateral.

The Brazilians have informally indicated they would like the final choice to be split – 40 per cent for "par" bonds, 40 per cent for "discount" bonds, and 20 per cent for the other options, including new loans. Some banks – including Citibank, the largest lender – are said to be considering new loans. Without the right balance, though, the deal may be jeopardised.

It is no surprise, then, that even the deal's most optimistic supporters admit to considerable doubts that it can be closed before its final deadline of July 31.

Legislators act over port system

LEGISLATION to modernise the Brazilian port system was passed by Congress on Wednesday night after two years of negotiation, writes Christina Lamb in Rio de Janeiro.

Port workers began a national strike yesterday in protest against the legislation, which requires approval by President Itamar Franco.

The new law is the first step towards privatisation of the system, which the Brazilian Exporters' Association claims to be the most expensive and inefficient in the world.

Although the legislation reduces the power of the stevedores' union, it does not go as far as business would like. Port users will still have to contract labour from the union, but the number of workers for each job, hours and wages will be set by a new port authority.

Workers' representatives will comprise a third of the port authority and business the remainder.

Deal on oil seeks to defuse trade tension

By Stephen Fidler, Latin America Editor

BRAZIL intends to buy an annual $500m (£328.9m) of oil from Argentina, in an attempt to defuse tension surrounding a growing trade surplus with its neighbour, Brazilian officials indicated yesterday.

The officials said a "political decision" had been made for Petrobrás, the state oil company, to buy the oil, but that negotiations were continuing on details of the purchase.

Brazil's trade surplus with Argentina reached about $1.4bn last year, with Brazil's exports worth just over $3bn.

Brazilian exports have been stimulated by the two countries' contrasted exchange rate policies. Argentina has fixed its exchange rate against the dollar, which has led to a real appreciation of its currency, while Brazil is devaluing the cruzeiro in line with its inflation rate.

The weakness of Brazil's economy, which showed almost no growth last year, has forced many manufacturers to look increasingly towards exports.

The new political intervention has been prompted by strains that the issue is placing on Mercosur, the southern cone trade group in South America. The organisation, which also includes Paraguay and Uruguay, has agreed to abolish internal trade barriers by the end of 1994.

Alarm at the growth of Brazilian imports led Argentina in October to treble to 10 per cent a tax on nearly all imports. The move has already led to protests by Paraguay under Mercosur's new disputes procedure.

● Brazil is willing to sign an investment protection agreement with the UK, Mr Fernando Henrique Cardoso, the Brazilian foreign minister, indicated to British officials in London yesterday.

The details of a proposed accord, which may be the first of its kind to be signed by Brazil, are being examined by the UK government.

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Major issues writs for libel over magazine stories

By Ralph Atkins in Muscat, Oman and Alison Smith in London

MR JOHN MAJOR yesterday took a rare step for a serving prime minister and issued writs for libel against two UK magazines.

The move, announced by Mr Major's press secretary, came after reports on unsubstantiated allegations about his private life – which Downing Street said were untrue – appeared in this week's New Statesman, a left-wing magazine, and in the January issue of Scallywag, a London satirical monthly.

The statement said: "The prime minister has today instructed solicitors Biddle and Company to issue writs for libel against the New Statesman and Society and against Scallywag." Biddle and Co said last night they had issued a writ seeking damages and an injunction for libel against the distributors of the New Statesman.

Ms Clare Latimer, the woman named in the articles, has also issued writs for libel against the two magazines and the distributors.

At a press conference in Oman, Mr Major refused to comment on his reasons for taking action, referring only to the statement. "I have nothing further to add to that," he said.

But the decision to make a formal denial and then issue writs via the press secretary, Mr Gus O'Donnell, underlined the seriousness with which the prime minister apparently viewed the threat to his reputation and credibility.

Only three serving prime ministers this century have sued for libel, the most recent being Mr Harold Wilson, now Lord Wilson, in 1963.

At Westminster, MPs of all parties were quick to condemn the magazines, but the impact on possible changes to press regulation is delicately balanced.

The articles would strengthen the government's hand if it wanted to move away from its previous reluctance to pursue the proposal of statutory tribunal to replace the press complaints commission, as recommended in the recent Calcutt report on press freedom.

It would, however, be awkward to do so after a case in which the prime minister was personally involved.

Mr Steve Platt, editor of the New Statesman and a co-author of the article, said he did not regret publishing and was confident of successfully defending any legal action.

He said that the magazine was putting its trust "in the jury's ability to see the difference between a smear and honest effort to expose it".

The decision to act was taken by Mr Major early yesterday as he flew into Oman from India. He had been told about the article the night after hosting a dinner for UK and Indian businessmen in Bombay after which he consulted his lawyers.

Downing Street said Mr Major is to pay for the legal actions personally.

It said there was no comparison with the case where the legal bill for the eviction of an unwelcome tenant from the private home of Mr Norman Lamont was shared between the taxpayer and anonymous Tory donors.

The prime minister went on to meet Sultan Qaboos of Oman at the ruler's fortified royal camp in the desert, about 60 miles from Muscat.

Apparently good-humoured, when a photographer said that the press party were not using telephoto lenses, Mr Major joked: "And I hope there is no hugging."

Devaluation hits value of imports

By Emma Tucker, Economics Staff

THE SHARP jump in the visible trade deficit last month reflected the impact of sterling's devaluation on the value of imports.

Import valnes rose hy 3 per cent in December compared with Novemher to a record higb of £10.9bn while export values were 0.5 per cent lower et £9.16bn. This left a visible trade deficit of £1.74hn, the largest monthly deficit since July 1990. It compared with a deficit of £1.41bn in November.

The Central Statistical Office said the devaluation of the pound had so far added ahout 9 per cent to import values.

Excluding oil and erratic items such as aircraft and precious stones – which tend to have a distorting effect on the trade figures – the visible trade deficit deteriorated by £222m on the month to stand at £1.85bn in December.

The trend in export and import volumes was slightly less gloomy. Altbough import volumes in December reached a record high, and export volumes fell, the three-montbly comparison shows exports rising faster than imports.

In the three months to the end of Decemher export volumes rose hy 4 per cent against import volumes which rose by only 0.5 per ceot. However, the year on year comparison continues to show imports outstripping exports. Import volumes rose by 7.5 per cent compared with a year ago while export volumes rose by only 5.5 per cent. But with the lower pound yet to benefit export volumes, there is reason to he optimistic about export trends.

"The volume trends look reasonahly favourable," said Mr Roger Bootle, chief economist of Greenwell Montagu. "It is right to assume that the devaluation effect has yet to come through."

The volume of consumer durables imports rose hy 4 per cent in the last quarter compared with the third, and were 21 per cent higher than a year ago. Imports of intermediate goods - mainly manufacturers components – rose by 5.5 per cent on the quarter and were 15 per cent higher compared with a year ago. Imports of capital goods were also rohust. They rose hy 6 per cent on the quarter and by 10 per cent on the year.

The value of goods exported to tbe European Community rose by 8 per cent in the fourth quarter compared with the previous quarter and were 3 per cent higher than a year ago. Exports to the US were 6.5 per cent higher on tbe quarter and 20 per cent higher on the year.

The weak dollar was probahly the main factor behind a 18 per cent increase in the value of imports from the US in the latest quarter. Imports from the EC rose by 3 per cent.

Lex, Page 14

US tax bills may alert UK Revenue

By Andrew Jack

THE Inlend Revenue is targeting UK companies with subsidiaries which are paying high US tax bills, a leading tax practitiooer alleged yesterday.

Mr Terry Symons, a partner witb accountants Price Waterhouse, said Revenue officials appeared to be investigating multinationals with large US tax bills to see if they should be paying more in Britain.

His concerns follow discussions with the Revenue about a client under investigation. He said he was told by senior officials this was part of a wider effort to collect tax.

His statement comes in the week President Bill Clinton reiterated his intention to clamp down on foreign corporations which be claims pay less tax than US rivals.

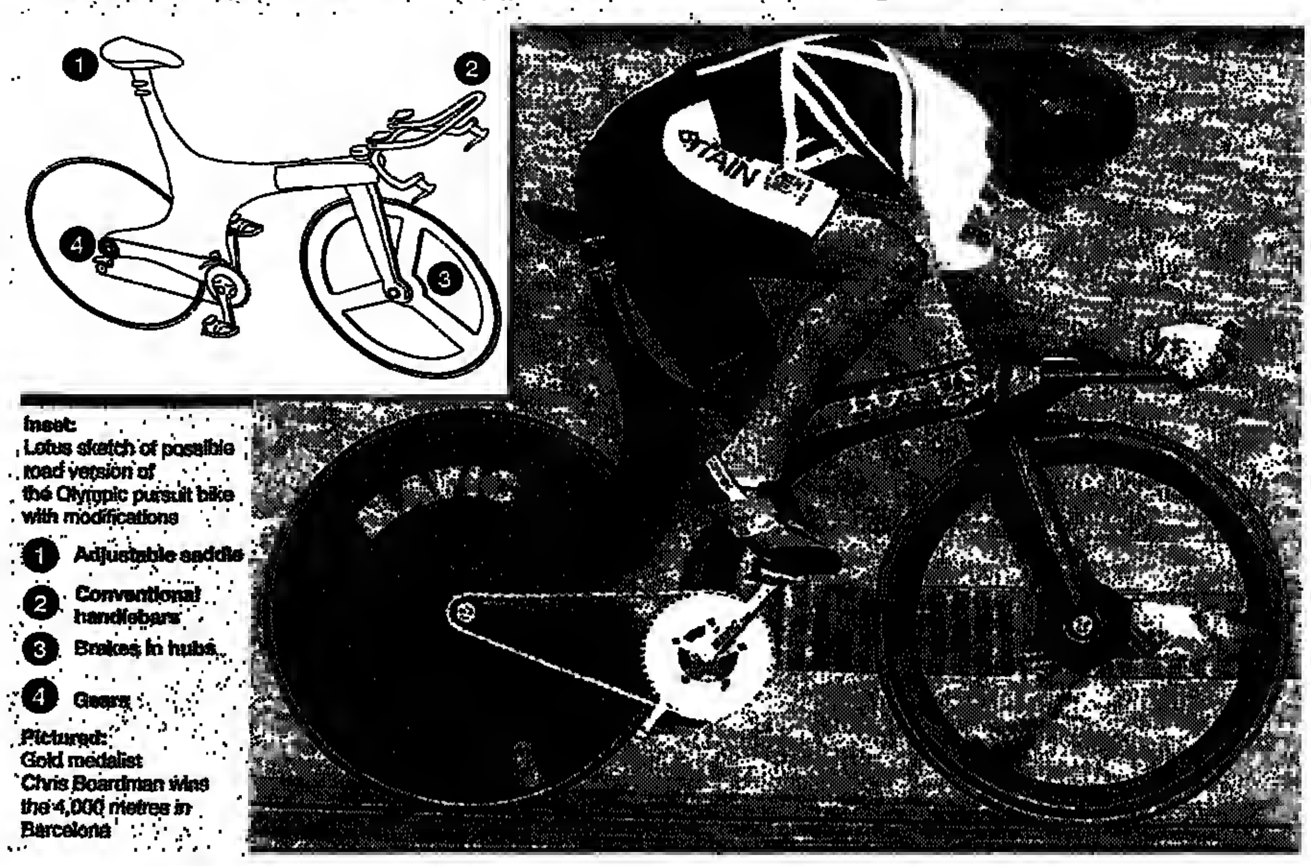
A 1991 analysis – the most recent available – by the US Internal Revenue Service, showed UK companies paid substantially more tax than many otber foreign and US companies.

US-owned companies paid a total of $94hn in 1988, amounting to 1.1 per cent of receipts and 0.6 per cent of assets.

For UK-owned companies, the proportions were 1.2 per cent and 0.6 per cent. The proportions were much lower for Japanese, German and Dutch companies.

The Inland Revenue yesterday declined to discuss its tax investigation tactics.

The Boardman bike: from the stadium to the production line



Inset: Lotus sketch of possible road version of the Olympic pursuit bike with modifications
1 Adjustable saddle
2 Conventional handlebars
3 Brakes in hubs
4 Gears
Pictured: Gold medalist Chris Boardman wins the 4,000 metres in Barcelona

Olympic engineering reaches the bicycle shed

CASKET, the Leeds-based bicycles and clothing gronp, is to make bicycles under licence using design elements of the Lotus Engineering cycle on which Chris Boardman won the 4,000m pursuit Olympic gold medal last year, writes John Griffiths.

Casket, which claims more than 20 per cent of the UK cycle market through its British Eagle, Claud Butler, Falcon and Townsend brands, will make and distribute the cycles under the LotusSport brand through its British Eagle subsidiary.

The licensing agreement is with Lotus Engineering, the consultancy arm of Gronp Lotus, the sports carmaker owned by General Motors of the US. It is unclear how closely the cycles will resemble the machine used by Boardman at the Barcelona Olympics last year, but they are expected to offer a more traditional riding position while incorporating the hasic concept of e one-piece, moulded, monocoqne frame.

The machines, expected to be launched in the UK in March, will sell for between £500 and £1,100, said Mr Ian Bntcher, Casket finance director. The original design was hy engineer Mr Michael Burrows, who spent several years trying to interest cycle makers.

US insurer takes space at Lloyd's of London

By Richard Lapper

CIGNA, one of the largest US insurance companies, is to move part of its London operations to the headquarters of Lloyd's of London, underlining the growing links between Lloyd's syndicates and insurance companies.

Cigna is the sixth company to rent space at the market's headquarters in the City in recent weeks. Between 25 and 30 other companies have also expressed interest in taking space in the building.

Cigna is understood to have agreed to take 400 sq ft at a cost of about £50,000 a year. It will concentrate a team insuring casualty and liability business at Lloyd's.

Mr Alan May, senior vice-president at Cigna, said the Lloyd's building was popular with brokers and the company hoped to win more business by moving to it.

In a separate development Syndicate Underwriting Management, an insurance agency owned by the Corporation of Lloyd's, announced yesterday that it has been appointed to manage the "run-off" – or liquidation – of six syndicates which have gone out of business in the past 18 months.

Four of the six – 387, 411, 1097 and 1152 – were administered by the Secretan agency, which ceased trading at the end of 1991. The other two – 785 and 786 – were formerly managed by the Michael Moss Underwriting Agency. All six were overwhelmed by claims from asbestosis and pollution awards in the US. Syndicate Underwriting Management was set up in 1987 by the corporation, which administers and regulates the Lloyd's market, to take over the management of 74 syndicates formerly managed by the PCW, WMD and Richard Beckett agencies.

Mr Alan Pollard, managing director, said Syndicate Underwriting managed the run-off of 117 syndicates – which have a combined capacity, or capital base, of £541m. It handles at least a quarter of asbestosis and pollution claims coming into Lloyd's.

SNCF hints it may sue over UK rail plans

By Richard Tomkins, Transport Correspondent

SNCF, the French state-owned railway, has hinted it will sue the British government if rail privatisation plans hit cross-Channel railfreight.

It says the introduction of track charges could drive railfreight on to the roads and cause cross-Channel traffic levels to fall short of those envisaged in agreements between SNCF and British Rail.

The criticism of the government's plans are contained in SNCF evidence to the House of Commons transport select committee.

Mr Alain Poinssot, the company's freight director, says SNCF and BR have a contract with Eurotunnel which commits them to buying capacity for cross-Channel trains on the basis of traffic forecasts made in 1988.

He says creation of a body charging train operators to use its tracks will be "discriminatory" because road hauliers face no such charge.

That would make competition between road and rail impossible, Mr Poinssot said.

"In fact, such a policy would preclude the achievement of virtually any of the traffic goals which formed the basis for calculating the financial commitments of the two national rail companies vis a vis Eurotunnel."

SNCF's criticisms came as the government attempted to limit the damage caused by the leak of an internal document raising doubts about the future of cheap fares and other passenger benefits after privatisation.

The draft submission to ministers, headed "policy in confidence" and dated January 7 1993, suggests:

- Railcards offering network-wide fare discounts are unlikely to survive under the new regime because they are not significant money-spinners.
- Tickets for one company's train are unlikely to be valid on another's except as a more expensive option "because it runs contrary to commercial interests and trends towards market segmentation.
- Operators should be left to decide what timetables to publish, and in what form.

The combination of SNCF's criticisms and the departmental leak are likely to add heat to the parliamentary debate when the Railways Bill gets its second reading in Parliament on Tuesday.

Banks consider new charges on accounts

By John Gapper, Banking Correspondent

BANKS have moved a step closer to the introduction of charges on customers' personal accounts with the discovery that the cash and cheque clearing system is costing them £4.5bn a year.

The figure was worked out by the Association for Payment Clearing Services during an industry-wide review started by the banks last year. It is the first time the banks have managed to quantify the total cost of clearing.

Most British cheque account-holders do not pay bank charges if their account remains in credit. The clearing system has been subsidised by interest on customers' funds, but they are considering re-introducing charges on personal accounts in credit in order to offset overheads.

The review study of clearing costs will also give added impetus to banks' efforts to cut the number of branches and staff.

Export body shows first surplus in seven years

By David Dodwell, World Trade Editor

THE Export Credits Guarantee Department yesterday revealed its first trading surplus for seven years as a steep fall in provisions transformed a £754m deficit in 1990-91 into a surplus of £340m in the 12 months to March 31 last year.

Mr Brian Willett, ECGD's chief executive, expects claims to fall. For the first time since the onset of the debt crisis almost a decade ago, the ECGD would become a net contributor to the Treasury "in three to four years," he said.

Such a turnaround would be seen by the Treasury as a vindication of the sweeping reform in risk assessment methods almost two years ago, although some exporters complain the reforms have led to expensive British export credit premium rates.

The ECGD also revealed yesterday that it is close to concluding deals selling Tanzanian and Nigerian debts amounting to $30m as part of a new strategy to use debt sales to reduce liabilities. The debts of up to 20 countries are involved.

The £1.1bn swing in provisions which swept the ECGD into surplus resulted in the cumulative deficit being trimmed from £4.62bn to £4.28bn. Premium income remained static at £159m, while payment of claims fell slightly from £968m to £954m.

The trading accounts were greatly complicated by two factors: first, they included eight months of operations of the ECGD's former short-term credit arm, which was sold to NCM, the Dutch export credit insurer, at the end of 1991; second, they included an effort by ECGD to separate liabilities predating the introduction in May 1991 of the Portfolio Management System of assessing credit risk, from those liabilities taken on since PMS was brought into force.

This move allows the ECGD to segregate the high liabilities pre-dating April 1991 which led to special provisions of £3.8bn in 1990.

Subsidies could undermine coal imports

Michael Smith examines controversy over calls to help British Coal compete against overseas rivals

The recent growth in UK coal imports will be rapidly reversed if the government adopts proposals recommended by the House of Common trade and industry select committee.

Among its recommendations, including moves to make imported French electricity less competitive, the committee of MPs is expected to call for the introduction of a state subsidy for British-mined coal, making it more price attractive to industrial customers.

The committee also wants the government to create an extra market of 19m tonnes for domestic deep-mined coal in the year starting April 1993. This would be achieved mainly by postponing liberalisation of the electricity market, enabling power companies to commit more long-term contracts to UK coal.

At least 16m tonnes of this extra output would be subsidised for five years to enable British Coal (BC) to sell it at world market prices. The estimated cost for the first year is £120m.

Now the power generators, who until October were preparing for further strong import growth, have already begun to tell overseas suppliers to expect demand cutbacks and are not renewing contracts.

The likelihood is that import facilities which National Power and PowerGen have built up in the last two years at a cost of more than £150m will, in the near future at least, be significantly under-used.

None the less cutting imports is by no means a simple option for the government. Last year the UK imported about 20m tonnes of coal but not all of it could be replaced by domestic production.

About 8m, brought in by British Steel, is coking coal of a type not available in Britain; other large companies also import directly and would want to keep a toe in the international market. That leaves a shortfall of 8m to 10m tonnes which could be filled by UK-mined coal.

British Coal's chances, however, of attracting more industrial customers are hindered by the quality of its product. One company claims coal imported from Colombia contains half the sulphur found in most British coal; and this at a time when the UK needs to reduce sulphur emissions to meet European Community targets.

But the main problem is price. The UK suffers because years of extraction means most coal near the surface has already been mined. Cheaper, opencast mines are plentiful in countries such as Colombia, the US and Australia, helping them export coal for between £1 and £1.20 a gigajoule.

In preliminary contracts with the power generators – drawn up before last October's pit closures announcement – BC said it would charge £1.51 for the 40m tonnes envisaged in the year from April. That would fall to £1.33 by the end of the five-year contracts.

Most analysts expect production costs to fall considerably by then.

Import prices, although currently falling, are expected to rise over the next five years – partly because of an increase in shipping and insurance rates. The US is also likely to retain more of the low sulphur coal which it currently exports.

All this means UK coal could compete in its home market against imported rivals by the mid to late 1990s. The problem is what to do before then.

The select committee has decided that the best answer is to provide a subsidy, some of it to replace imports. The money would come either from the taxpayer or from a diversion of funds earmarked for the nuclear levy – a government subsidy designed to cover the costs of decommissioning nuclear-powered stations.

The idea still faces opposition from the Cabinet and may yet be challenged by countries on the grounds that it is protectionism. But as other options narrow, some financial support is increasingly likely.

Britain in brief

Ford export trade static at £2.2bn

Ford, the US carmaker, exported vehicles and components from its UK operations worth about £2.2bn last year, a total virtually unchanged from 1991.

Ford said that it was one of the top five exporters from the UK in 1992. It shipped abroad 159,000 vehicles from its Dagenham, Halewood and Southampton assembly plants, and 770,000 engines from its Bridgend and Dagenham engine plants, as well as a wide range of components.

North Sea oil output rises

The UK's oil output from the North Sea rose by 2 per cent to 1.89m barrels a day last year, its highest since 1989, according to the Royal Bank of Scotland's oil index. But the weakness of the oil price meant that revenues, at £8bn, were at their lowest in real terms since 1986.

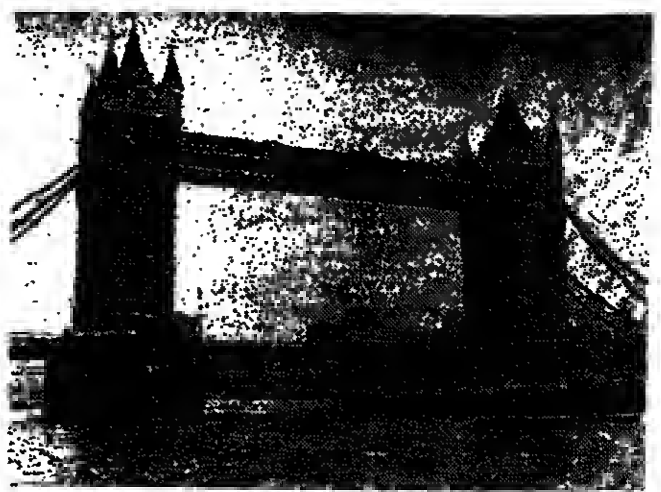
Fall in venture capital funds

Funds raised by independent UK venture capital companies fell further last year to just £300m, fuelling fears that there will be a shortage of money to invest in the late 1990s. Last year's fall, from the £368m raised in 1991, is the third in a row since the peak in 1989, according to the British Venture Capital Association.

Beer production declines

A 12.4 per cent fall in beer production during October has now brought renewed demands from the Brewers' Society for a reduction in beer duty.

After adjustments for imports and exports, production for the month was 3.19m barrels. Production for year ending October dropped by 1.32m barrels to 36.32m barrels, down 3.5 per cent from the previous year. The society says more than 500,000 barrels of duty-paid beer was imported into Britain last year.



Tower Bridge in London is to close in mid-April for at least three months to repair extensive corrosion. Work on the 99-year-old bridge will cost around £250,000. It is the sixth London bridge to have closed this year. Battersea Bridge is closed and Hammersmith Bridge has lane closures. Substantial work is also needed on Westminster, Waterloo and Lambeth bridges and minor repairs required to London and Albert bridges.

Coal orders announced

British Alcan, the aluminium smelter based north-east England – which is British Coal's largest manufacturing customer – has renewed supply arrangements under which it takes 1.2m tonnes of coal a year from Ellington colliery, Northumberland.

British Coal, which sells about 6m tonnes a year into the industrial market, has also announced further orders worth a total of £40m from industrial companies for almost 1m tonnes of deep-mined and opencast coal.

The deals include an order for 500,000 tonnes from the Fife-based papermaker Tullis Russell, a new customer. British Coal has also won a new contract from Scottish Power for 200,000 tonnes.

Designers claim damages

In a private preliminary hearing at the High Court in London yesterday, the Italian fashion house Giorgio Armani was alleged to have infringed the copyright of two young London fashion designers, who are seeking damages in the region of £300,000.

Mr Antoni Burakowski and Ms Alison Roberts (trading under the label Antoni & Alison) initiated their action against Armani last October, when they spotted a T-shirt selling under the Armani label. The Armani-label T-shirt carried a design which, it is claimed, is indistinguishable from one designed and marketed by Antoni & Alison.

Four hurt in bomb blast

A bomb exploded outside Harrods Knightsbridge store in London yesterday morning. Four four people were slightly injured by flying glass.

WANTED: Executive willing to take on the most challenging management job in the world. Must be a natural leader, able to make tough decisions, boost the morale of 300,000 employees and win the confidence of millions of shareholders and customers worldwide. Knowledge of "computer-speak" helpful. Salary high and negotiable. Benefits include instant worldwide recognition. Wearers of white shirts need not apply.

IBM needs a new boss. **Louise Kehoe** asks the experts to speculate on John Akers' successor

Who's got the right stuff?

As if International Business Machines did not have enough problems, the beleaguered computer company is now searching for a new chief executive to fill the shoes of John Akers, its chairman, who earlier this week gave notice that he will resign his management role.

The committee of non-executive IBM directors, chaired by former Johnson and Johnson chairman James Burke, may be aptly qualified to prescribe the tough medicine that IBM needs. But finding the right person to cure IBM's ills – the task it has now been given – will not be easy. Burke, however, has thrown the field wide open by stating that candidates from outside IBM's own management ranks will be considered for the first time in the company's 79-year history.

Only one person – Ross Perot, the erstwhile US presidential candidate – has so far publicly volunteered for the job but there is no shortage of ideas in the computer industry, on Wall Street, and inside management consultancies on what sort of individual is required. Virtually no one – not even America's latest female role model Hillary Clinton – is being excluded.

Entering into the spirit of the search, the FT has asked a number of experts for their views, not all of which will necessarily be appreciated at Big Blue.

Scott McNealy, the irreverent young chairman of Sun Microsystems, a Silicon Valley company that outsells IBM in the fast-growing market for computer workstations, for example, claims he knows how to solve IBM's problems, but is keeping his ideas to himself. "This is capitalism," he declares. "It's either have lunch or be lunch."

Who should head IBM? he asks. "Someone lousy." Suggestions include the chief executive of a computer company currently in bankruptcy and another who lost his job after his company was acquired.

Steve Balmer, executive vice president of Microsoft, IBM's nemesis in the personal computer market, is more generous. He pays tribute to Akers' capabilities but still believes replacing him is a wise decision. "IBM's problems require what the management consultants call a 'set break', a fresh approach. It will require a new way of thinking."

While the assumption is growing that IBM will indeed select an Akers successor from outside the company, observers are split on whether the non-execs ought to go one step further and hire a non-industry specialist.

Steve Jobs, 37-year-old co-founder of Apple Computer, says IBM's problem is that it views the computer market from a hardware perspective in an era when computer programs, or software, represent the differentiating factor among computer companies. IBM "needs people who see the world through software glasses. There is no one in IBM's top management who really understands software," adding that because of the rapid pace of change few people over 45 really understand it.

Balmer of Microsoft, a company with many young executives, does not see youth as a requirement for the job of IBM chief executive. "Age is not a qualification, the issue is whether or not the individual is locked into a fixed way of thinking," he says.

He does, however, agree with Jobs's view that IBM needs a leader who is well-versed in technology. Without such an understanding it would be very difficult for the IBM chief executive to have the courage of his convictions when it comes to deciding which parts of the company should be consolidated or spun off, he suggests.

According to Noel Tichy, professor of organisation at the University of Michigan, IBM needs "a revolutionary with the head, heart and guts to change IBM, from the top down. He or she needs the capacity to crash through the incredible bureaucratic resistance that still exists there".

Without such resilience, the new chief executive could end up like Mikhail Gorbachev, with the KGB on his back, Tichy suggests. "And he must have staying power. This is a 10-year job, not a one- or two-year stint. At General Electric Jack Welch is 11 years into the game and he is not finished."

There are very few people of the calibre required to run IBM, Tichy and others say. Welch himself, Larry Bossidy of Allied Signal, Michael Walsh of Tenneco or John Sculley at Apple Computer might fit the bill, but none of them is likely to make himself available to IBM. "It is naive to think that a Jack Welch or a Larry Bossidy would leave his company to join IBM," says Tichy.

Andrew Grove, president of Intel, could do the job, says McKenna. "He is good at dealing with complex issues and has a high degree of energy – that is important. He's a good task master and very good at recognising talent." But Grove seems to be enjoying the challenge of leading the fastest-growing semiconductor company in the world.

Robert Palmer, a former semiconductor industry executive who succeeded Ken Olsen last year as president and chief executive of Digital Equipment, the second largest US computer company after IBM, is already winning plaudits for improving Digital's performance.

Bill Gates, the 37-year-old chairman and chief executive of Microsoft, who has made more money in the computer industry than anyone on earth, might seem an obvious choice to turn his talents to IBM's problems. But his stormy relationship with his big rival over the years would make him an unlikely choice.

Among non-industry candidates, General Dynamics' William Anders gets the vote of Robin Buchanan, Bain & Company's managing partner. Buchanan says Anders, a former Nasa test pilot and Apollo Eight astronaut, has a rare breadth of experience and believes in going for "smaller and gooder".

George Cox, chairman of financial services and computer consultancy group P-E International, is also certain that IBM should pick a non-specialist. "The problem is not so much seeing the direction – any business school class will get the right answer if you give them the facts – it's turning the wheel. Remember that Colin Marshall [of British Airways] used to run a car hire business."

Perot, meanwhile, who began his computer industry career at IBM, has said that he would be glad to do whatever he could for the company. But opinion is divided.

Perot "has a lot of the right instincts. Autocratic as he is, he would not be a bad choice," says Tichy. Others, however, are not giving Perot their vote. "He would alienate a lot of people," says McKenna.

IBM could look within its own ranks for a maverick insider, such as James Cannavino, senior vice president and manager of IBM's personal systems business. He is responsible for the company's growing workstation business and has overseen a turnaround of its personal computer operations.

Some, however, think that the search for a genius who can fix IBM's problems overnight is bound to be fruitless. Instead, IBM should be looking for about 10 people to run its various business sectors, says Wilfred Corrigan, chairman of LSI Logic, a Silicon Valley semiconductor manufacturer. "IBM should become a portfolio of companies run by an investment management group," he says. "It is clear that it cannot be run as a single business."

Within IBM there are several strong business units that could be spun off as independent companies, Corrigan says. Overseeing the transformation should be the job of an investment banker, he suggests, eliminating the role of chief executive of IBM.

Additional reporting by Paul Taylor and Tim Dickson in London.

Spotting talent from Wyoming to London

By Tim Dickson

How does a holding company with hundreds of far-flung operating subsidiaries and tens of thousands of worldwide employees spot its best in-house management talent?

Peter Harper, chairman of Hanson's UK industrial division, says the onus of seeking ont tomorrow's high-fliers inevitably falls on managing directors and group divisional heads.

In recent years, however, Hanson believes its annual Achiever Awards scheme – whose 1992 winners were announced yesterday – has performed a valuable supplementary role.

"One of its aims is to make sure that no one slips between the cracks," says Harper. "MDs and finance directors get easily noticed inside companies, but we believe the award scheme is important for others, especially those in production positions, whom we might not see."

Last year's competition – which as usual was divided into UK and US sections – attracted written submissions from almost 200 of Hanson's worldwide employees in management positions. In the UK the award rotates between "Young Achievers" under 30, "Middle Managers" under 40 (the 1992 target group) and "All Comers".

Ageism is hardly a criticism that can be made of a group run by two septuagenarians, but bracketing by age group is potentially damaging to American sensitivities so the schema there is open to averyone every year.

Harper concedes it is impossible to know whether good senior management candidates might have slipped through the net without the competition, and whether the course of individual careers has been changed.

Most of the previous 11 winners have been promoted, notably the 1983 victor Les Ashford who is now chief executive of Hanson Industrial Services and an associate director since last year, and the 1982 Young Achiever Chris Thomas (now chief executive of the Hanson subsidiary industries).

The odds, therefore, appear to be on further promotions for the latest UK winner, Anthony Kujawa, a 38-year-old director of ARC Northern in charge of Premix, and for his US counterpart Douglas Wagner, 45-year-old manager at Peabody's Powder River Rochelle Mine.

Both men were delighted by their success – and who would blame them when the prize is lunch with the boss and a two-week tour of Hanson operations on the opposite side of the Atlantic – but insistent that there is a wider value to both them and the company.

Says Wagner, whose mine is in a remote location in Wyoming 65 miles from the nearest town: "This has given not only me, but the employees who work for me, a chance to be recognised in the group for what we have done. We are part of the non-union portion of the Peabody mines, and there is not a lot of mixing between the two.

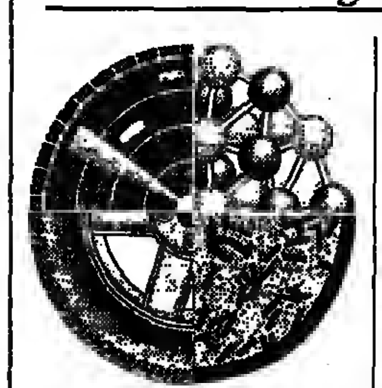
"I started the operation from bare grass and we have increased profits and beaten our budget every year." Powder River now produces 16m tonnes of coal a year and is reckoned to be the most productive surface mine in the US.

Kujawa's achievement was to pioneer environmental reviews at ARC Northern – a practice which has since spread to other parts of Hanson's UK concrete and aggregates subsidiary. His recommendations included the research for and installation of the first concrete and waste recycling units in the UK, as well as the installation of a new mixing process now claimed to be a model for high-volume developments.

Kujawa says much of his work was carried out with the help of consultants – but he cautions companies against bringing in consultants on their own. "You use their expertise hot yoo need the commitment of your managers or the whole thing can be a waste of time."

TECHNOLOGY

Worth Watching · Della Bradshaw



Toshiba pushes a pen-based micro

Notebook computer specialist Toshiba has given the seal of approval to pen-based computing with the launch, initially in the US, of a hand-held computer operated by a cordless stylus pen.

The machine, which weighs just over 3lbs including the battery, can run for up to three hours on one charge. The T100X has a choice of operating systems: Go's Penpoint or Microsoft's MS-Dos for Pen Computing.

● Toshiba's latest laptops, the T4500 and T4500C, have clip-on Ballpoint Mouse units and a liquid crystal display telling the user information such as how many minutes of battery life remain. Toshiba: Japan, 03 3457 4511; UK, 0932 841600.

Striking the right note

Colour photocopiers have worried the police for years because of their potential for copying bank notes. So the Japanese manufacturer Omron has developed a bank note recognition system that can be incorporated into photocopiers.

The device can detect attempts to copy notes from 23 countries. It uses fuzzy logic, a computing technique which enables the input data to be compared with that stored in memory 10 times more quickly than with conventional technology. Omron: Japan, 03 3436 7139.

Stained glass window dressing

Stained glass windows suffer from pollution just as much as masonry. But to prevent further deterioration restorers have to isolate the cause of the corrosion and the potential damage.

This is where scientists from the Fraunhofer Silicate Research Institute in Würzburg, Germany, have stepped in. One of them, Dieter Fuchs, has developed a type of glass that corrodes much faster than normal. By placing pieces of it, each just a few centimetres square, on the surface of the windows, the mini-sensors show what could happen to the glass in the future.

Corrosion measurements are taken using infra-red light to enable restorers to calculate the best way of treating the stained glass. Fraunhofer Silicate Research Institute: Germany, 931 4149 0962.

A flash for sore eyes

Stewart Spinks, manager of a Norwich photographic store, got so upset about the number of customers complaining that their compact cameras caused "red eyes" that he decided to do something about it.

His solution is a clip-on flash unit in which the flash bulb is far enough from the lens to prevent the problem – caused by light bouncing off the back of the subject's retina.

The Spinks unit, which is to be manufactured and distributed by Jessop of Leicester, clips on to the camera case and a cover fits over the camera's integral flash unit. A photo-electric cell in the cover senses when the integral flash goes off and then triggers the attached flash unit. Jessop: UK, 0533 320033.

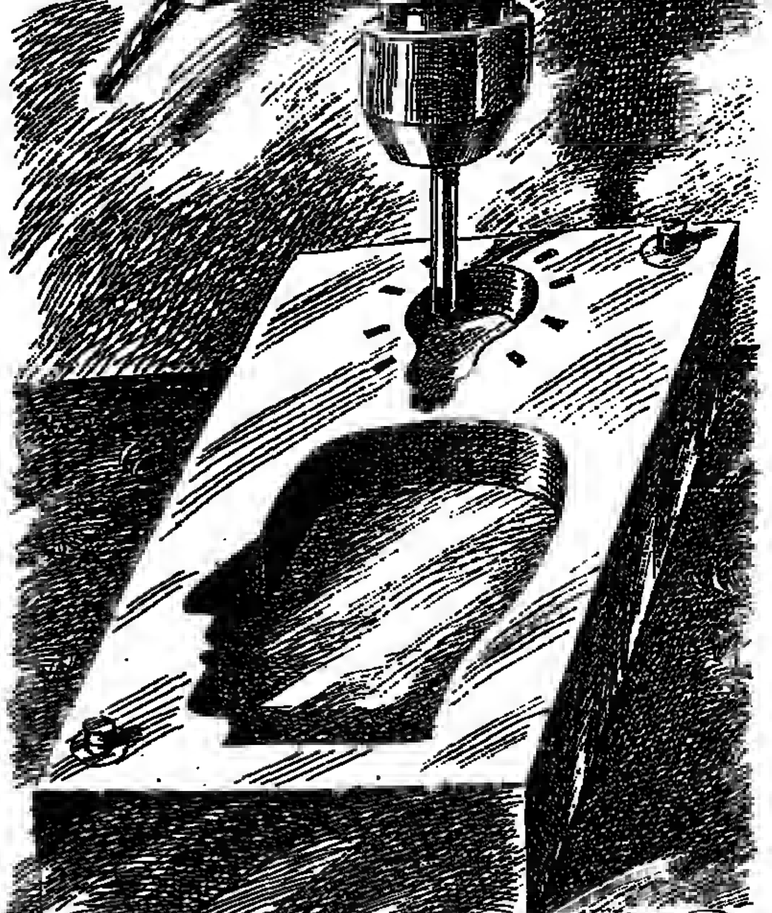
Nintendo issues health warning

Nintendo, the unparalleled king of the video games market, has been forced to admit what many beleaguered parents of young games fanatics had suspected for a long time: that excessive playing of these electronic toys can be hazardous to your health. But this is only if you have a rare kind of epilepsy, writes Michiyo Nakamoto.

The warnings also say that in some rare cases people may momentarily suffer convulsions or lose consciousness when they see flashing lights or images on the screen. The decision to attach the warning was prompted by recent publicity in the UK and Japan which suggested that video game playing could trigger epileptic fits.

A British invention may bring accurate machining to a much broader market, writes **Richard Gourlay**

Cutting the cost of precision



What does a compulsive inventor do once he has turned an invention into a commercial success? One answer is to turn his attention to the manufacturing process that makes his product.

This is exactly what David McMurtry is doing at Renishaw, the metrology company that grew from his invention of touch trigger measuring probes and is now one of the UK's few high-technology manufacturing success stories.

At its factory outside Stroud, Gloucestershire, Renishaw has reduced considerably the length of time it takes to machine the components that make up its probes.

The company has done this by cutting sharply the cost of continuous, unmanned manufacturing. It says it has slashed the time it takes to set up machine tools to perform multiple engineering functions – thereby providing hope for an escape from long machine runs which often lead to large amounts of work-in-progress.

It is early days. So far, the company has applied the technology it calls the Renishaw Automated Milling Turning and Inspection Centre (Ramtic) only within its own factory. But Renishaw could be about to do for machine shops what Alan Sugar, in his heyday, did for consumer electronics – bring low-cost precision engineering within the grasp of a much broader market.

"We are bringing high-tolerance production to the average shop floor," says Ben Taylor, Renishaw's assistant chief executive.

What Renishaw is aiming for is a flexible manufacturing system at a fraction of the cost of a conventional set-up. FMS units – or cells – are designed to perform a number of machining functions that are numerically controlled by computer instructions. But a bank of FMS cells can cost more than £1m.

Renishaw's approach was to take a standard vertical machining centre – the most easily available system, that might cost about £100,000 – and modify it.

These machines are not inherently highly accurate because they twist, expand and bend during a machining cycle.

Renishaw, however, achieves what Taylor calls the "final level of precision" by placing next to the raw material that is to be machined a model of the component. Before the machine is set up, this "artefact" has been checked in a co-ordinate measuring machine and its dimensions are known to a high degree of accuracy.

While simple vertical machining centres are not highly accurate over long cycles, Renishaw has shown that they do not change shape over short spans of time.

Using indexable measuring probes, the machine tool is able to make an immediate comparison between the machined part and the artefact. The exact position of the tool relative to the machined part is fed to the computer which modifies its instructions to the machine tool, if necessary. "We have removed the uncertainty of measuring on a machine tool," says Taylor.

The system has other benefits. It is capable of continuous verification and recording of the process without interrupting the manufacturing process. With many FMS cells, a machined part would have to be removed to verify that it had been made within acceptable tolerances.

The most striking improvements have been to cut set-up times, making it more economical to run smaller batches. While it might take three to six hours to set up a milling centre, with the Ramtic there is no set-up time, after the carousels that carry the tools are kitted up. Renishaw's early experience in cutting production cycle times is equally impressive. This is up to three times faster partly because Ramtic's tools are changed less often than an FMS.

Taylor says that as a result, Renishaw should be able to do without the stock room. Batches of components for its own probe products would be made to order "like a short-order cook". "Our plan is just-in-time production," he says.

Word of Renishaw's work on its manufacturing productivity has had a mixed but limited reception. Japanese and American companies have beaten a path to Renishaw's door after the company introduced the technique at Birmingham Mach' 92, the industry trade fair. And engineers from the US Department of Defence's weapons complex at Los Alamos have shown great interest in Ramtic's ability to monitor precision engineering.

Some manufacturers of FMS systems have yet to be convinced that Renishaw is really bringing a new technology to bear. They also wonder whether the system might only be relevant for manufacturers who would like to have short manufacturing runs.

By the summer, Renishaw may be able to answer the sceptics. It hopes to have put a ring of patent protection around its use of artefact comparison and is considering whether it will then sell or license the Ramtic hardware and software.

If Renishaw has made a breakthrough in the cost of precision, the ripples could spread rapidly through the engineering industry. Renishaw would also have another market – the Ramtic process relies on a number of its products.

Share prices wherever you go

For the busy and mobile investor or fund manager who feels anxious and deprived without instant access to financial news and prices, a new portable device the size of a video cassette is being brought on to the market.

Called Financial Alert, it uses a radio tuner to provide UK and foreign share prices and news updates. It can track highs and lows and pre-set investment limits with an in-built alarm system.

As yet, the device – consisting of a keyboard and small screen operated by a rechargeable battery, all in a black leather folder – is only available in the Netherlands where it was introduced about a year ago. The UK launch is on February 10, with plans to introduce it later in Sweden, Switzerland and the US.

Rob Schram, managing director of Alert Network, the UK distributor of Financial Alert, hopes to have up to 1,000 in use in the UK in a year's time. He calls it "a very powerful way of staying up with the market".

It monitors prices of the FT-SE 100 shares plus 900 other UK stocks and those of 100 continental European companies. It also carries foreign exchange rates, international indices and data on futures contracts and gilts.

The screen has room for eight prices at a time, with a bleeper which can be set to sound when any desired type of information comes up. Investors can select their own information to put on special pages. All stored data can be downloaded to a hard disc or printed out.

Schram hopes that Financial Alert, which has components (such as a microprocessor, highly sensitive radio tuning device and liquid crystal display) from the Far East and Dutch-developed software, will appeal to institutions, private investors and corporate investment staff – in fact, anyone likely to need information while away from their base and who will feel distinctly uncomfortable without it. The cost is £160 a month with a connection fee of £50; there is a refundable deposit of £330.

Andrew Fisher

OBITUARY

Lord Poole: key roles in finance and politics

LORD POOLE, who died yesterday at the age of 82, straddled the worlds of finance and politics. He played a key role in the organisation of the Conservative Party during the 1950s and 1960s. At the same time, as the closest adviser to Lord Cowdray, he was deeply involved in directing the affairs of what was, until publicly floated, one of the largest privately-owned business empires in the country, the S Pearson group. As chairman of Lazards, he was for many years a central figure in the City.

Oliver Poole was born on August 11 1911 and was educated at Eton and Christ Church, Oxford. Shortly before the outbreak of war he joined his family business – Lloyd's insurance broking.

During the war he served with the Eighth Army in North Africa, where he helped to plan the landings on Sicily and later did the same with the 21st Army Group for the D-Day landings. He was mentioned three times in dispatches and was awarded many decorations.

His organisational skills drew him to the attention of the Tory Party. Towards the end of the war, Conservative Central Office asked him to stand as a candidate and he entered the Commons in 1945 as Member for Oswestry. But he did not find the life of an MP congenial and quickly decided not to stand at the next election.

His subsequent backstage role was crucial to the party. Poole had already had a hand in the pamphlet *The Right Road for Britain*, which became the basis of the 1950 election manifesto. In May 1950 he became political head of the Conservative Political Centre in succession to R A "Rab" Butler. His interest in business advanced simultaneously: shortly before leaving the Commons in 1950, he was asked by Lord Cowdray to join him in running S Pearson and Son.

At that time, the S Pearson group faced the problem of adjusting to some drastic changes which had recently affected its interests. The main aviation activities had been nationalised, as had been the coal mines and the electric utilities. What was left was an assortment of businesses, most of them sound and profitable, but needing to be co-ordinated on a more rational basis.

Poole helped to formulate a new strategy for the company, concentrating on four main lines of development – banking and finance, publishing, the industrial group centred on Doulton, and oil. His main personal interest lay on the banking side, and he was particularly concerned to develop close co-operation between the three Lazard companies in London, Paris and New York.

Poole also took an active interest in other parts of the group. He played a central role S Pearson's decision to acquire control of the Financial Times in 1957 and he became chairman of the paper in October 1958 on the death of Viscount Bracken. He held the post until the end of 1960, when he was succeeded by Lord Robbins.

He continued to be very much an international figure and in 1972 became a member of the main Fiat Board. Politics, however, had remained an important part of his life. In 1952 he was appointed joint treasurer of the Conservative Party.

Poole succeeded Lord Woolton as party chairman in 1955, a post perfectly suited to his taste for working in the background. Poole was created a baron in 1958 and a Privy Counsellor in 1963.

In 1957 the job of chairman was divided, functionally, between Poole and Lord Hailsham.

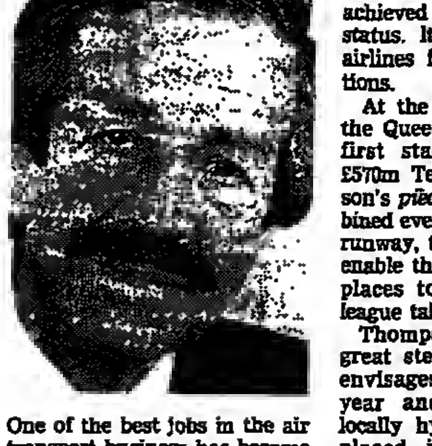
"Leaving the limelight to others," Mr Michael Foot wrote later, "Lord Poole created the most efficient machine which has ever contested an election in this country. He knew more about the details in every marginal constituency than had ever been assembled at a Party headquarters before."

At the end of that period Poole returned to the City, but in 1963 he was suddenly recalled by Mr Harold Macmillan to serve as joint chairman with Mr Iain Macleod in the aftermath of the Profumo scandal.

He was known to his closest friends for his great kindness and generosity to those of other political persuasions.

PEOPLE

Taking off from Manchester



One of the best jobs in the air transport business has become vacant as Gil Thompson, chief executive of Manchester Airport, yesterday told his board he wants to retire. His contract comes up for renewal in March, when he will be 63.

Thompson, a former British Airways general manager for northern England, has had 12 remarkable years at Manchester, presiding over an increase in passengers from 4m to 12.4m a year, making it Europe's fastest growing airport.

On the way, Manchester became Britain's second official hub after Heathrow and achieved international gateway status. It is now used by 95 airlines flying to 165 destinations.

At the beginning of March, the Queen is due to open the first stage of Manchester's £570m Terminal Two, Thompson's *pièce de résistance*. Combined eventually with a second runway, the new terminal will enable the airport to leap four places to 12th in the world league table by size.

Thompson says the next great step forward – which envisages 30m passengers a year and 50,000 new jobs locally by 2005 – should be placed in younger hands. Among other things, a bruising battle looms with Cheshire residents opposing a second runway and further expansion generally.

The board yesterday formed a sub-committee, Thompson included, to consider how to pick his successor. He will stay on long enough to achieve a smooth handover – and will be lodging the planning application for the second runway in the spring.

Under-utilised at Sears

John Lovering, who moved from the post of finance director at Sears to become managing director of corporate development and international operations last June, has now resigned to pursue other career opportunities.

At the time, when 43-year-old Lovering was replaced as finance director by Stephen Park from Hanson, in a move that chairman Geoffrey Maitland Smith now calls "largely his [Lovering's] choice", he had said he wanted to take on a more operational job having been in the finance seat for four years. But Sears insiders acknowledge he had also regarded himself as a candidate for the chief executive's seat, which was taken by former BA marketing director Liam Strong a year ago.

"He felt his talents were not being utilised," says Maitland Smith who explains that there has been a change of strategy, which involves concentrating fully on the UK and putting continental Europe "not exactly on the back burner" but demoting it to part of the "medium-term strategy". Lovering will not be directly replaced.

As finance director, he had been closely involved in setting up the joint venture between Sears' interests in the Netherlands with the German end of Groupe André, the French retailer. "He loved travelling, visiting the outposts and motivating people," says Maitland Smith, who adds that, with the slowdown in European consumer demand in addition to Sears' setting new domestic priorities, "he found he was not doing very much."

■ Bill Caskey, formerly vice-president sales, food service in the US, has been appointed retail sales and marketing director for CAMPBELL FROZEN FOODS.

■ Kevin Wilson has been appointed group md of WAGON INDUSTRIAL HOLDINGS; Mel Bailey has been appointed md of the material handling and storage division; Bill Hall is appointed md of the automotive products division; and Neil Hannah as md of Wagon Storage Systems. Don Poyner will become a non-executive director as from the end of March.

■ Jonathan Smith has been promoted to the main board of KWIK SAVE GROUP.

■ Mike Elms, formerly md of Ogilvy & Mather, has been appointed chief executive of CIA UK HOLDINGS, and a director of the CIA GROUP.

■ Paul Russell, chairman of SONY Music Entertainment UK, has been appointed president of Europe Sony Music Entertainment; he is succeeded by Paul Burger, president of Sony Music Canada.

■ Richard Medus, md of Meridian, part of Saatchi & Saatchi, has been appointed MILLS & ALLEN's agency and client sales manager.

■ Michael Neame, formerly marketing director of KDG Mobrey, has been appointed md of PEEK Measurement.

■ Miguel Escobar, president and director general of Prosema Organizacion de Ferias, acquired by BLENHEIM GROUP, and Michael Fletcher, md of Blenheim's UK operations, have been appointed to Blenheim's board.

■ John Goldring has been promoted to technical director of Tooling Products, part of WEIR GROUP.

■ Hew Stevenson, chief executive of Westminster Press, part of PEARSON, is also to become chairman when the Duke of Atholl retires in June.

■ Richard Gibbons has been appointed development director of London Adshel for MORE O'FERRALL ADSHEL; he moves from JC Decaux.

■ Alan Williams, formerly deputy md of Hays Storage Services, has been appointed md of Rentacrate, also part of HAYS in succession to George Sutherland who is moving within the group.

INCHCAPE, the motor and business services group, has appointed its first non-executive directors since Sir David Plastow took over as chairman in September.

They are (left) Tony Alexander, 54, chief operating officer UK of Hanson, and (right) Liam Strong, 48, chief executive of Sears. Alexander joined Hanson as company secretary in 1971 and went to the board five years later. He is also a non-executive director of Shanks & McEwan.

Strong joined Sears from British Airways in 1991 and was appointed chief executive last February.

The leadership of Inchcape has changed markedly since ill-health caused the early retirement at the end of 1991 of Sir George Turnbull, the group's forceful chairman and chief executive, who died last month.

Charles Mackay stepped in to become chief executive, as previously agreed, and deputy chairman Sir David Orr acted as chairman until the arrival of Plastow from Vickers.

■ Peter Orchard, the chairman of security and bank note printers De La Rue, has died. Mr Orchard, 65, joined De La Rue in 1950 and was made a director in 1963.

He became chief executive in 1977 and took over as chairman in 1987 from Sir Arthur Norman who had dominated the company for 23 years. He was also a director of Delta.

هكذا من الأصل

Ballet/**Clement Crisp**

Power of the Bolshoy Effect

Sitting in the Albert Hall, surrounded by 3,000 eager Bolshoy Ballet watchers, it is impossible not to feel that exhilaration which I can best identify as "The Bolshoy Effect". It is a tribute to Moscow's Finest that, over a period of 36 years and in a dozen theatres round the world (all of them more congenial to the company than this hall), I have sensed this same extraordinary power that the Bolshoy exerts over its public.

It has to do with bigness of scale, in production as in dance manner, so that audiences surrender to the massive forces – emotional as well as muscular – that are on display. It has to do with theatrical purpose, a dedication to the work in hand, which touches every artist on stage. (In the *Stone Flower* suite on Tuesday night, a gypsy girl and a hunchback musician played a small drama at one edge of the stage with a conviction that must have reached to the furthest eyries of the hall. Marvellous communicative skill.) It has to do with the cinemascope swathes of energy and drama with which Grigorovich paints his choreographic scenes.

The "orgy" in *Spartacus* is a combination of roguishness and goose-stepping (Walpurgisnacht at Berchtesgarten) that should make one laugh, and actually works as drama. The fair scene in *Stone Flower* is *Petrushka* without the puppets, and yet brilliantly conceived as dance-action, and even more brilliantly done in its peasant enthusiasms. The street brawl in *Romeo* is a whirlpool of bodies which convinces because at every moment the Bolshoy's dancers are exactly tuned to a mood and to a level of physical grandeur in performance that silences doubts about this view of Verona and Shakespeare.

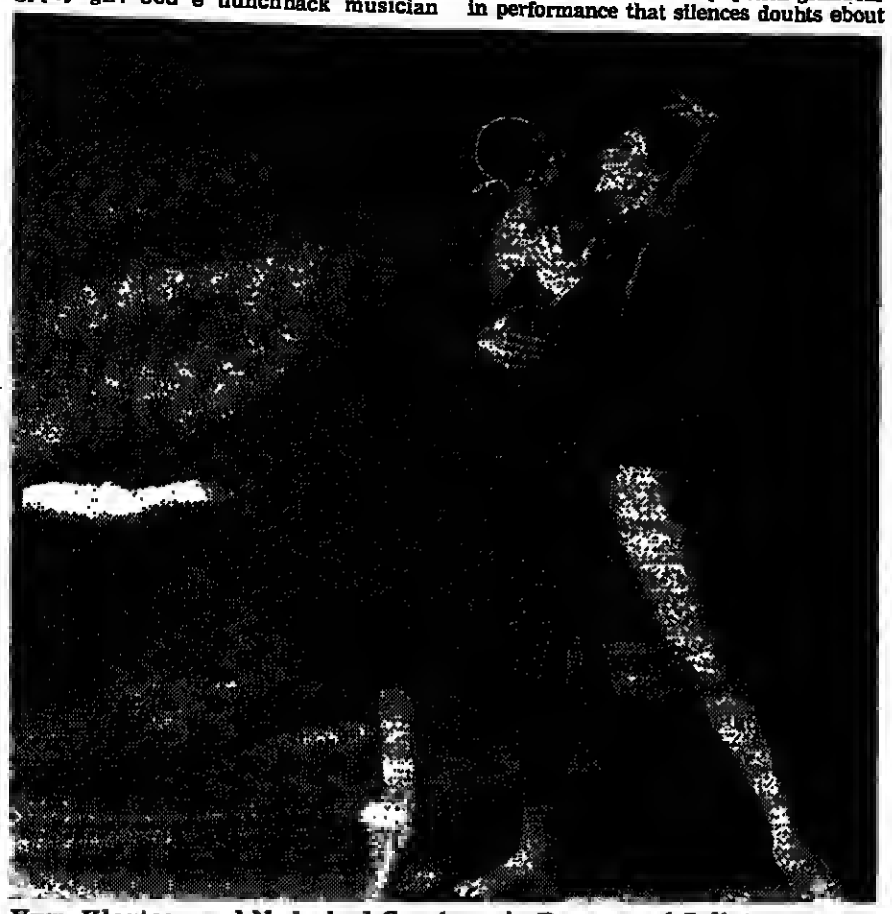
Here is the secret of our belief in these arena evenings. For the most part the central interpretations are *minimised* or defeated by the lack of a stage frame, and at best we can respond to technical aspects of performance. I find the men more interesting than the women this season, with the exception of *Elina Palshina* and Inna Petrova, both of whom show poetic artistry as well as physical skill – but one looks in vain for the ballerina glories of earlier seasons, for any stimulation from differing temperament and style. (I recall the miraculous variety between Ulanova, Plisetskaya, Struchkova, Maximova and Bessmertnova on earlier visits.)

This week I have again admired the princely Andrey Uvarov, the blaze of Nikolay Tsiskaridze's virtuosity (as Mercutio he enlarged and re-charged the role in amazing split leaps and running capers; his death scene was astonishing, not least because he somehow forced our attention upon the beautiful arch of his insteps), and the finesse of Sergey Filin's dancing in *Swan Lake*'s ball-room. Yury Klevtsov, a fine, idealistic Danila in *Stone Flower*, does not yet have the dynamic scale for Spartacus.

The season is unlike anything we have known before from the Bolshoy, or any other company. It has shown that an audience can be inspired – through an insistent advertising campaign, I'd hazard – to pay high prices for an arena dance event, and that in the Bolshoy Ballet we have the one company in the world that can sustain the demands of such surroundings, and such hype.

The choice of repertory for the event is astute. It is not what Bolshoy-lovers, even ballet-lovers, want to see, since it cuts corners and ultimately denies ballet as a theatre art to which Moscow's troupe has brought an immense glamour. But this is not theatre – though it *is* ballet – and the dire imperatives of the Russian economy and the no less dire imperatives of Western costs indicate this formula as a way forward (a temporary one, pray Heaven) for Russian ballet and Western impresarios. It is ballet for a time of crisis. It is also a mutation. And no one – least of all the Bolshoy's directorate – must forget what the Bolshoy Ballet has meant in the past and will, pray Heaven again, mean in a happier future.

The Bolshoy Ballet continues at the Royal Albert Hall until February 14



Yury Klevtsov and Nadezhad Gracheva in Romeo and Juliet

The artist Max Beckmann once said: "In my paintings I accuse God of everything he has done wrong". Beckmann is one of the stars of the Berlin exhibition *Art in Germany 1905-37*, which at once celebrates the reuniting of works from museums in the east and west of the city and documents the extraordinary story of political evil and misunderstanding which from the 1930s to the 1980s destroyed, dispersed and kept divided one of the most magnificent collections of modern art in Europe.

Nowhere is art more bound up with politics than in Berlin. In 1919 the Crown Prince Palace gallery on Unter den Linden began amassing a sensational collection of modern German pictures, including those by Klee, Kirchner, Kokoschka, Beckmann, Liebermann and Franz Marc. In 1936 the Nazis closed it, confiscated the works and drove the artists into exile. Some paintings went to Munich for the "Degenerate Art" show – aimed at convincing the public of "Bolshevik-Jewish" decadence by hanging the works badly on walls daubed with racist graffiti – and were then sold at auction. Some were kept as "internationally saleable goods" to be exchanged for foreign currency. Many were burnt, a few hidden, some stacked into bunkers in Berlin or the Thuringen mountains.

After the war, works stored in the east were often filched by the Red Army and turned up later at the Hermitage in Leningrad; through the 1950s they came back to east Berlin's National Gallery. Those in allied territory went to an International Art Collecting Point in west Germany and gradually returned to West Berlin's New National Gallery. The communists accused the west of holding these illegally, and for decades communication between the two national galleries, a few miles apart and each holding parts of the once glorious collection, was forbidden. In the east, there was little money or inclination to supplement the collection, while west Berlin could afford plums on the international art market.

Only now do the two collections join up at the National Gallery in the former east Berlin. This historic venture dovetails a show of some of the best Expressionist and *Neue Sachlichkeit* paintings, plus details of their anarchic provenances, with an exhibition in an enclave at the heart of the gallery recording what was lost and how. Photos, letters, newspaper headlines illustrate the frenzy and fury, the ideological importance, attached to art by repressive regimes; sales figures show the Nazi's throwaway attitude to modern German art – a Beckmann self-portrait, now at Harvard, bought by the Crown Prince Palace for RM7,000 in 1928, was for example sold to an American collector for RM150 in 1941.

Beyond history, the exhibition is of course a celebration of the most vibrant and exciting period in German art, and the images here of the big city and human isolation in it, the biting satire, the psychic bewilderment, have a freshness and individuality which still thrill: the luminosity, the sensuous ecstasy of Nolde; the nervous, angular mask-like figures in a Kirchner cityscape; Dix's bloated grotesques from jazzband and cabaret.

The famous – Grosz's satire "Pillars of Society", Beckmann's "Death" – are here trumpeted along with much that is unfamiliar, since paintings from east Berlin were rarely lent to international exhibitions. The early Expressionist Lesser Ury, little known outside Berlin, is represented with a dreamy view, "Nollendorfplatz by Night". Among the most moving pictures are two agonisingly sympathetic portraits of down-and-outs in Wedding, a poor Berlin suburb, by Otto Nagel, one of the great German realists from the 1920s, whom the DDR favoured when much German art from this period was decried as decadent.

Every work here tells a political and an individual story. Among the Kokoschkas, for example, there is the famous portrait of Adolf Loos, and one of Bessie Loos which vanished from a Berlin bunker in 1945, surfaced at New York's Parke Bernet gallery in 1971, and was bought by west Berlin. New to me were a portrait of Jewish businessman, Wilhelm Hirsch, whom Kokoschka regarded as a typical client, socially insecure and therefore wanting the status of a portrait, and a whirling cityscape from the 1920s of Berlin's Pariser Platz. Both were snatched by the Red Army and returned to east Berlin in 1958. Most personally significant is "Man with Doll", a portrait of the lifesize replica of Alma Mahler which Kokoschka made after their love affair turned sour. It is a delight that paintings out hung under the same roof since Hitler can now be seen together in a show which sensitively records their historical significance.

■ At the Nationalgalerie, Berlin

George Grosz's satire, 'Pillars of Society'

Berlin art reunited

Jackie Wullschlager on a collection torn apart and bound together by politics

Theatre/**Malcolm Rutherford**

This 'Set-Up' asks for music

Someone was saying at the interval that the new show at the Gate would make a very good musical. I think that's right. *The Set-Up* has been around in several forms for half a century and is such a marvellous story that it would be sad to believe that this new adaptation at the Gate is the last word.

The piece is about professional boxing. It was originally published as a play by Joseph Moncure March in 1929. March was a poet who studied his craft under Robert Frost. Subsequently he became editor of the New Yorker. He was also a Hollywood script-writer. *The Set-Up* took off as a movie starring Robert Ryan in 1949, though the new script was written by someone else and there were considerable changes to the plot.

For example, the original brave fighter who defies the odds in the ring was white and was called Pansy Jones. Presumably that was because boxing in the 1920s was segregated and white-white conflicts were difficult enough without adding the complexities of race. By the time of the movie Pansy Jones had become black and his name was changed to Bill "Stoker" Thompson, presumably because in the late 1940s to have a black boxer with a sexually equivocal name would have been altogether too much even for American liberals. One thing at a time.

The basic story is about is about a fighter who comes from nowhere to win a fight that he did not understand he was being paid to lose. He does it by a mix of guts and skill. How the piece ends depends on whoever does the latest adaptation.

The trouble with the version at the Gate is that it has become a one-man show, adapted and performed by Kerry Shale, and written in rhymed couplets. Much as one admires Shale's versatility and powers of endurance, one has to say that it does not completely work.

The trouble with English rhymed couplets is that they are a very limited verse form: they can restrict rather that expand freedom of expression. After the first few minutes anyone with even half an ear can begin predicting the rhymes. This is unfortunately true of the fight scenes where the piece is meant to be at its most dramatic. Whenever the word "yell" comes up, you know automatically that the rhyme will be "bell".

What Shale has done is to try to construct a narrative ballad, but there is another deterrent in the length. "Eskimo Nell" may be a technically excellent piece of versification, but I doubt if you would want to watch it performed on stage by one man for a good two hours. It is to be briefly listened to, not seen. That is what Shale has failed to realise in *The Set-Up*.

At the Gate there is virtually nothing to look at, only a mirror slightly cracked and a chair to sit in. The mirror is useful in that its reflexions give you other views of Shale, but it never cracks from side to side. The drama is lacking: however hard Shale tries – and there are times towards the end when he can be quite spellbinding for several lines at a stretch – one man is not enough.

Full marks to the Gate for professionalism despite its limited resources. Early in the second act Shale understandably dried up. There came one of the most efficient pieces of prompting I have seen from behind the audience. If the prompter had been nodding, who knows what would have happened? Yet if *The Set-Up* were a musical, no-one would even dream of nodding.

Gate Theatre until February 20
(071) 229 0706

Kerry Shale

Recital/**Max Loppert**

Nikolay Demidenko

Demidenko's latest Wigmore Hall recitals are ambitiously devised. There are six of them, one a month until June, under the umbrella title "Piano Masterworks"; their programmes (planned for the Russian pianist by Ates Orga) cover a span of keyboard writing from Scarlatti to Gubaydulina, making up a personalised "History of the Piano" as traced by a grand virtuoso of the instrument.

The young Russian pianist is evidently now a favourite of the London public: on Wednesday, for the first concert of the series, the Wigmore was jam-packed. He has virtuosity to spare. His fingers are astonishingly agile, precise, muscularly clean. His range of dynamics, texture, touch and tone is formidably wide. The programme, subtitled "The Classicists", opened with a group of Scarlatti sonatas and closed with Mozart's C minor Fantasia (K.475) followed by the sonata (K. 457) of the same key. While big pianistic gestures may not have been in demand, speed, delicacy and crisp articulation undoubtedly were, and *Demidenko supplied them with* easy mastery.

What he appears to lack in this music is charm, imaginative alertness, sensitivity to melodic delight, idiomatic conviction. He evinced not a smidgen of that buoyant pleasure in contrast expected from a Scarlatti group when tackled by a front-rank pianist: the despatch was brisk, unsmiling. Two of the works on offer were complex sets of variations – C.P.E Bach's on *Les Folies d'Espagne* in the first half, Haydn's celebrated F minor piece in the second. The gift of dramatisation that imbues the unfolding of these pieces with ever-growing excitement seemed conspicuously absent; the Haydn was taken so slowly that the sound of the music remained thoroughly ventilated, the *sense dispiritingly* chilly and fugitive.

It was a similar story in the Clementi F sharp minor Sonata (once recorded, with wonderful élan, by Horowitz) and the Mozart Fantasia. Demidenko's characterising imagination seems largely asleep in this repertory. Because he is a performer of such profuse gifts, one longs to give him – metaphorically, at least – a jolly good prod.

Series sponsored by Lloyds Private Banking; next Wigmore recital February 24

Fischer-Dieskau retires

Dietrich Fischer-Dieskau has announced his immediate retirement from the concert platform, writes Andrew Clark. The German baritone, who is 67, gave no reason for his decision, but said he would continus to give masterclasses. His last performance was at a gala concert at the Bavarian State Opera in Munich on New Year's Eve.

INTERNATIONAL ARTS GUIDE

The arrival of 81-year old composer Gian Carlo Menotti as *artistic director of the* Rome Opera will not re-build the company's tattered image in a day. The Teatro dell'Opera has been languishing under a huge deficit and poor industrial relations for too long. Strikes rather than artistic excellence have been the norm. The theatre's *sovrintendente*, Gian Paolo *Cresci*, is renowned for his blend of extravagence and down-market populism – but his appointment of Menotti at least offers some hope for a more consistent programme.

The season finally got under way this month with the Zeffirelli production *of La bohème* (with five further performances scheduled for the coming week), to be followed on February 9 by Bizet's Les Pêcheurs de Perles, conducted by *Michel* Plasson. Menotti's first visible input to the programme comes with his own production of Lucia di Lammermoor, *opening on* February 20 with a cast including Kathleen Cassello, Alfredo Kraus and Giorgio Zancanaro. Giuseppe Giacomini and Daniella *Dessi are due to sing* in Il trovatore in April, and the programme in May is dominated by La traviata and the Bolshoy production of Tchaikovsky's Queen of *Spades. The ballet* season consists of Roland Petit's Proust (first night March 24) and Kenneth MacMillan's Manon (June 3).

The *impressive recital* line-up includes Roberto Scandiuzzi (Feb 1), Alfredo Kraus (Feb 8), Luciana Serra (Feb 22), Montserrat Caballé (March 29), Leo Nucci (April 5), Shirley Verrett (May 3) and Nicolai Ghiaurov (May 17). Among visiting orchestras are the *Moscow Radio Symphony* with a Tchaikovsky programme conducted by Vladimir Fedosseyev (Feb 14, 15) and the Dresden Staatskapelle under Sinopoli (April 20, 21). The box office number is 481 7003. Beware of last-minute strikes.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Art, Expertise and Trade: more than 100 works giving a behind-the-scenes view of the early 20th century gallery of J H de Bois. Ends May 2. Also North Netherlandish Art 1580-1620. Ends March 7. Gao Qipei (1660-1734) and the Art of Chinese finger painting. Ends Feb 28. Closed Mon

Stedelijk Museum Ilya Kabakov (b1933): The Big Archive. An installation spread over eight rooms, in which the Russian artist explores the psychology *of the Soviet citizen within a* bureaucratic labyrinth. Ends March 28. Daily

Van Gogh Museum Glasgow 1900. Ends Feb 7. Daily

BARCELONA

Fundacio Joan Miró Wilfredo Lam: 60 paintings by the Cuban artist. Ends March 28. Closed Mon

Palau de la Virreina David Hockney: 73 paintings. Ends Feb 28. Daily

Fundacio Caixa de Catalunya Photographic Reporting behind the Iron Curtain 1945-90. Ends Feb 10. Closed Mon

BERLIN

Neue Nationalgalerie After Guernica: major Picasso exhibition. Ends Feb 21. Closed Mon

Alte Nationalgalerie The Collection of Count Raczynski: *Paintings of the late Romantic* era. Ends Feb 14. Also Art in Germany 1905-37. Ends April. Closed Mon and Tues

CHICAGO

Art Institute Chagall: Moscow Jewish Theatre Murals. These seven monumental paintings, dating from 1920-1 and designed *to be fastened to the walls of* the theatre auditorium, are among the largest works undertaken by Chagall. Ends May 10. Daily

GLASGOW

Hunterian Art Gallery American Screenprints: an exhibition *drawn from the private collection* of Reba and Dave Williams, ranging from the beginnings of the medium in the 1920s, to the heyday of Pop Art in the 1980s. Ends *April* 17. Closed Sun

Burrell Collection Boudin at Trouville. Ends Feb 28. Daily

LEIPZIG

Museum der bildenden Künste Emil Schumacher: 60 paintings from the period 1936-91 by the German abstract painter who recently celebrated his 80th birthday. *Ends March* 28. Closed Mon

LONDON

Courtauld Institute Early Plans and Views of Montreal: 100 watercolours, drawings and plans dating from the 18th and 19th centuries, tracing the Canadian city's transformation from a small fur-trading settlement to a dynamic mercantile centre. Ends March 8. Daily

Hayward Gallery The changing *condition of sculpture* 1965-75: 60 works by Joseph Beuys, Richard Long, Bruce Nauman and other influential artists. Ends March 14. Daily

Royal Academy of Arts The Great Age of British Watercolours 1750-1880. Ends April 11. Also Sickert retrospective. Ends Feb 14. Daily

Tate Gallery Visualising Masculinities: the male body in art since the mid-19th century. Ends June 6. Daily

Accademia Italiana Ruskin and Tuscany. Ends Feb 7. Daily

MADRID

Centro de Arte Reina Sofia Joan Miró: centenary exhibition of 60 paintings and 50 drawings from the years 1920-60. Ends March 22. Closed

Fundacion Juan March Kasimir Malevich: 42 oil paintings by the Russian artist who invented Suprematism. Ends April 4. Daily

NEW YORK

Andre Emmerich Gallery David Hockney: 26 Very New Paintings, all multi-coloured abstractions.

Guggenheim America Invention: a major new installation commissioned from German artist Lothar Baumgarten. Ends March 7. Closed Thurs

Metropolitan Museum of Art Ancient Near Eastern Treasures in the Louvre. Ends March 7. Also A Peruvian Lord's Tomb: third century adornments made by the Moche people of Peru. Ends July 4. Closed Mon

Whitney Museum of American Art The Geometric Tradition in 20th century American Art. Ends Feb 14. Closed Mon

PARIS

Louvre French Paintings and Graphic Arts of the 18th and 19th centuries: the redevelopment of the former Royal Palace continues with works from Watteau to Corot displayed in the 39 newly-opened rooms flanking the Cour Carrée (2nd floor). Also Veronese's The Marriage at Cene (Salle des Fetes). Closed Tues

Musée d'Art Moderne de la Ville de Paris Figures du Moderne: Expressionism in Germany 1905-14. Ends March 14. Closed Mon, late opening Wed (11 ave du President Wilson)

Musée Galerie Seita Egon Schiele: 100 works on paper, showing the torments and erotic obsessions of the precocious Viennese expressionist. Ends Feb 27. Closed Sun (12 rue Surcouf)

Musée Picasso Crucifixion: an exhibition built around Picasso's masterpiece of 1930, and including works by Bacon, Sutherland and de Kooning which were influenced by it. Ends March 1. Closed Tues

ROME

Palazzo Venezia Rome under Sixtus V: the third of a series of exhibitions celebrating the fourth centenary of the death of the Pope who during his *short* reign (1585-90) did more than any other to turn Rome into the first modern city of Europe. Opening with a handsome portrait by Filippo Bellini, the exhibition explores the character of the man himself (ruthless and single-minded), and shows plans, engravings and scale models of the numerous public works undertaken by Domenico Fontana and others at his behest. It also offers a section devoted to the building and decoration of the Vatican Library, and a group of drawings by Giovanni Guerra, on loan from Copenhagen, made on site during restoration work ordered by Sixtus on the Marc Aurelius column in Rome. Ends April 30. Closed Mon

Palazzo delle Esposizioni Giorgio De Chirico (1888-1978): works covering the whole arc of the long career of one of Italy's few internationally-known 20th century painters. The best are the early metaphysical works, which which De Chirico made his *name – Including the* remarkable Red Tower, the enigmatic charm of which remains intact. Ends Feb 8. Closed Tues

TUBINGEN

Kunsthalle Cézanne: 100 paintings, many on loan from the world's best collections. Ends May 2. Closed Mon

VIENNA

Künstlerhaus The World of the Maya: 300 exhibits evoking the lost world of the central *American people, whose* sophisticated culture more than 2000 years ago produced ceramics, mosaic masks, monumental architectural ornamentation, altars and sculptures. Ends June 27. Daily

ZURICH

Kunsthaus From the Treasuries of Eurasia: Masterpieces of Ancient Art. The exhibition consists of 170 works of art chosen from 15 museums in Russia and Ukraine by George Ortiz, whose own *rich* art collection is being shown in exchange in St Petersburg. The objects range from Greek vases, sculpture and bronzes, to Scythian gold and silver jewellery, Egyptian statues, Byzantine ivory panels and a magnificent winged human-faced *sphinx with a lion's body. Ends* May 2. Closed Mon

No mass yet to the market

Despite new services, UK mobile 'phone charges remain a deterrent, says **Hugo Dixon**

On the surface, the UK's mobile communications industry has just entered an intensely competitive phase. In the past few months, consumers have been bombarded with advertising campaigns for three new services claiming to be much cheaper than the standard cellular services, and at least four more are to be launched later this year. Vodafone and Cellnet, the two established cellular companies, spent about £20m on advertising in the last quarter of 1992 and, despite the recession, their customers grew by 163,000 last year, more than double the 1991 growth.

The current marketing ferment gives the impression of a price war. Although there are 1.4m cellular 'phone users in the UK – about twice as many as Germany, France and Italy respectively – almost all are business users. Observers believe the market could reach 10m by 2000, if the price is right. Could the latest marketing be just what is needed to bring about a mass market?

The answer is probably no, because prices have not fallen. For instance, Vodafone's new Lowcall and Cellnet's new Lifetime services – jointly nicknamed "Lowlife" – have cheaper subscription charges than the companies' standard cellular services, but higher call rates. The result is that customers calling more than once a day actually pay more with the new pricing packages.

The only large price discounting has come from Rabbit, a "telepoint" service run by Hutchison Telecom. But this is not a direct competitor to cellular, since customers cannot receive incoming calls and can only make outgoing calls in public places where they see the Rabbit sign. These limitations explain why only 8,000 have signed up.

The mix of vigorous marketing and an absence of price cuts continues a pattern which has been a feature of the cellular industry since its birth in 1985. The reason is that neither Vodafone nor Cellnet, owned jointly by BT and Securicor, has an incentive to jeopardise substantial profits by launching a price war. And there is no outside pressure to do so, since they were established as a protected duopoly, not subject to price regulation.

Vodafone made operating profits of £152m from sales of £320m in the six months to the end of last September – a margin of nearly 50 per cent. Cellnet, which started losing market share in the late 1980s, made operating profits of £75m from sales of £184m – still a margin of over 40 per cent.

Could the entrance of competitors undermine this duopoly? That was certainly the idea behind the government's decision in the late 1980s to license three personal communications networks, a variation on cellular communications, as Cellnet and Vodafone rivals.

But things have not worked out exactly as planned. Microtel, one of the new networks, was sold when its backers got cold feet over raising the required £1bn investment. There are still doubts over whether the new owners, Hong Kong's Hutchison Whampoa and British Aerospace, are willing to put up the cash.

This leaves Mercury Personal Communications, a merger of the two remaining personal communication networks. A joint venture between the UK's Cable and Wireless and US West, MPC plans to launch its service in the middle of the year.

The new "tripoly" will almost certainly be more competitive than the old duopoly. But it remains to be seen how a market with two established players and one entrant will work. The signs are that all parties wish to avoid a price war. Mercury, in particular, has made clear that it does not want to compete head-on for Vodafone's and Cellnet's existing customers.

This might seem odd. But MPC knows that a head-on attack would provoke a price war, which it would not be well placed to win. This is because initially its service will only be available in the south-east, while it will need to subsidise handset prices by about £200 a customer because they will be more expensive to make than standard cellular ones. Moreover, its network design is such that it will only be profitable if it eventually attracts more than 1m customers. "I don't want to fight over 1.4m customers because that is not enough," explains Mr Richard Goswall, MPC's managing director.

Instead, the company plans to develop a new segment of the market consisting of small businesses and affluent consumers. Mr Goswell promises "significantly" cheaper prices – rivals expect cuts of about 30 per cent – to achieve this.

Its biggest discounts will be on the cost of making incoming calls, which will be less than half current rates. MPC believes this will be an important selling point. But its rivals cannot understand why MPC would give up a large slice of easy revenue, when cutting incoming charges will not lower customers' bills at all. Cellnet goes so far as to describe the move as "mad".

Nevertheless, MPC's segmentation approach suits Vodafone and Cellnet. It seems to offer them a way of cutting prices for new customers, while keeping margins high on existing business. Their strategy is to devise pricing packages which appeal to new segments of the market but are not so generous that the existing market is "cannibalised".

Vodafone has two initiatives planned. The first, called GSM and aimed at the international executive, will allow customers to use their 'phones in many other parts of Europe. It will cost 20 per cent more than the standard service.

The second, MCN, will be in direct competition with MPC. Customers will receive large discounts if they make local calls from their local areas, but charges will rise if they make national calls or move outside their local areas. Somebody driving along the motorway or in open countryside will pay twice the current rate, which should deter many customers from switching.

A similar pricing package, LSM, is planned by Cellnet. It admits candidly: "We'll get the impression of price wars but not the reality."

All this means that 1993 will not witness the birth of a mass market. To achieve that, prices would have to drop sharply. The average running costs of £700-£800 are the main obstacle. Industry executives acknowledge charges will have to fall by half to appeal.

But Vodafone's and Cellnet's fat profit margins give them both scope to make discounts of that order and Mercury's network design means it will eventually be driven to expand the market. So, although 1993 will see only the appearance of a price war, the reality may not be that far off.

Mobile services: comparing the cost

	Vodafone Standard	Vodafone Lowcall	Vodafone GSM	Vodafone MCN	Cellnet Standard	Cellnet Lifetime	Cellnet LSM	MPC	Rabbit
Monthly subscription (£)	29	18	35	23	25	18-48	Cheaper than standard	Cheaper than standard	7
Outgoing calls Peak rate/minute (p)	29-39	54-63	35-41	12-76	28-39	59	Cheaper than standard	Cheaper than standard	23
Incoming calls Peak rate/minute (p)	39	39	39	39	39	39	39	18	N/A
Customers (thousands)	749	48			558	44			8
Investment so far (£m)	550	N/A	80	30	600	N/A	100+	300	80
Launch date	1985	1992	Spring 1993	Autumn 1993	1985	1992	1993	Mid 1993	1992
Coverage (now or at launch)	Nationwide	Nationwide	[illegible]	Fairly nationwide	Nationwide	Nationwide	London	London, south-east	Urban centres & main roads

Source: FT research and Mobile Communications. Subscription and call rates include VAT

Joe Rogaly

At unease with itself

Britain's establishment is not at ease with itself. There is disquiet in the upper ranks. It goes beyond concern about the latest unemployment figures, or the balance of payments deficit, or the ballooning of the public sector borrowing requirement. The winter does not help. The recession certainly has a lot to do with it. But it is more than that. The chattering classes, whose perceptions sometimes influence the rest of the nation, are once again telling one another that all is not quite right with the state of affairs on these islands.

I record this with apologies to my former boss, Sir Geoffrey Owen, who wrote in these pages last week that "exaggerated gloom about all things British is unnecessary and counterproductive". Quite so. Our post-1945 history has not been all gloom and bust. Yet confidence in the British polity seems to me to be sagging.

One reason is that the keystone of our constitution, the throne, is looking shaky. Mr Jack Straw, an opposition frontbencher, has voiced the opinion of many in the Labour party that the monarchy should be reformed. A weekend report suggested that perhaps a quarter of Labour members are republicans. Loyal defenders of the Queen are to be found in all sections of the House of Commons. They constitute a solid majority. The difficulty arises when the talk is of her successor. Then there is a division of opinion, a general shuffling of feet.

If the Prince of Wales divorces his wife, it will be incongruous for him to become "supreme governor" of the Church of England. Yet in order to succeed his mother, he would have to adopt the role of temporal head of the Anglican church. This prospect has stimulated a modest revival of the centuries-old debate about whether the church should become disestablished, or separated from the state. If – when – it does, an ancient appendage of the English constitution will have fallen away. According to figures in the government's statistical annual, Social Trends, we may one day be talking of having an Established Mosque to take its place. Since 1975, the number of Moslems in Britain has more than doubled, to just less than a million. In the same period, Anglican church membership fell from 2.27m to 1.84m.

The church is painfully aware of this. Dr John Habgood, the archbishop of York, is no disestablishmentarian. He has, however, proposed that the coronation oath be adjusted to reaffirm religious freedom for all. He was principally motivated, I suspect, by Christian ecumenism. This deserves strong support. Yet the assertion, contained in our education laws, that Britain is predominantly Christian is belied by the decline in the membership of most churches.

If we cannot be certain of either the C of E or the next king, what is left? For some, the national spirit has long been bolstered by Britain's position as a principal player on the world stage. This week Mr Douglas Hurd contrived to bring us down to earth. "Britain simply does not have the option of turning its back on the wider world," he said. But that is not the whole story.

Pluck out another sentence from the foreign secretary's speech: "Obviously we cannot be everywhere and we cannot do everything." And a third: "Where we act, our action must be proportionate." Most tellingly, Mr Hurd warned that "We shall probably have to say 'no' more often than 'yes'."

One purpose of this important lecture was to ward off American demands that more British troops be sent to Bosnia. It was, however, more significant than that. It marked a further ratcheting-down of Britain's global reach. Our army is overstretched, and under budgetary constraint. Admitting as much, Mr Hurd pointed out that we have an excellent diplomatic service. He did not say that in dealings with other countries and international bodies the Foreign Office's quickness of tongue often disguises the slightness of its hand. This cannot go on for ever. Sooner or later the UN Security Council will be reformed. When that happens, Britain will be lucky to keep its place as a permanent member.

Backbenchers' opinions are actually being solicited by ministers. To the traditional English way of thinking this is a minor revolution

There are other possible explanations for our generally pessimistic mood. The national political pulse is not stimulated when the same political party wins four general elections in a row. The Conservatives have been through a bad five years. Things started to go wrong in 1988, when the then Mrs Margaret Thatcher's government was overflowing with pride. The splits over Europe, the resignations, the poll tax, the toppling of the former prime minister all followed.

The Tories have never really recovered. Today a divided party is barely supporting a government with a shrunken parliamentary majority. There is no solace in looking to the opposition. It is not in any shape to inspire us, let alone win an election. As matters stand, it looks as if the existing, less than glorious government can continue in office for many more years.

It is, however, a weak administration. I like this: the less power ministers command, the better. But the British psyche is conditioned to expect strong government. That means that when the cabinet decides something, it is automatically passed by the Commons. This is not happening. The combination of a low majority and a divided party has the government running scared. Some parliamentary select committees are beginning to exercise a degree of influence over the administration that they previously only dreamed of. Backbenchers' opinions are actually being solicited by ministers. To the traditional English way of thinking this is a minor revolution. It is as disturbing as all the tiresome talk about the monarchy, the church and our role in the world.

I prefer to give this kaleidoscope a twist. The picture becomes brighter. Look: the monarchy is reformed. Church and state are to be disentangled. People start going to church again. Look again: we tailor our foreign policy according to our cloth. The political marketplace forces Labour to become an electable opposition. The emergence of a parliament that can check the cabinet is generally welcomed. With experience, this government improves. The economic cycle has not been abolished. Spring is on the way.

The two latter propositions are undeniable. The rest are merely items on a wish-list.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

War won in the east

From Mr John Hinze.

Sir, Michael Prowse cannot be serious in his column, "The greatest years may lie ahead" (January 25), when he compares the US today with Britain in 1815 and then states that the US has ". . just won a lengthy and debilitating war against communism".

Surely, it was the peoples of eastern Europe who recently overthrew their former overlords (although what they are now making of their "peace" is of course a separate issue).

Since the end of the cold war era, American spending on overthrowing communism has been minimal compared with the sums directed at the third world.

Michael Prowse did not mention these burdens, principally carried by the financial sector of the US economy, which have been the main cause of what little debilitation the American economy has actually suffered in the last decade.

John Hinze,
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Germany

German rail privatisation has simplicity not seen in BR plans

From Mr Ernest Godward.

Sir, Re your leader, "Privatising British Rail" (January 26), the privatisation of the rail system in Germany bears no comparison with that proposed in the UK. Herr Heinz Durr, chairman of the Deutsche Bundesbahn (DB) and the Deutsche Reichsbahn (DR), has explained recently how the two railways will be brought together and privatised. It will be in three phases:

- The first would bring DB and DR together to form DB AG. The German constitution and laws are changed to permit this. The huge debt burden (currently DM60bn) is written off. Staff levels are reduced by moving civil servants back to government (130,000 of the staff fall into this category). The government invests DM100bn to modernise DR over a 10-year period.
- A holding company would be formed with three separate operating subsidiaries covering passenger, freight and infrastructure. The companies would move gradually into being less controlled by government.
- By 2002 the holding company would disappear leaving the three operating companies in the private sector. Each rail operating company can set its own goals and hopefully compete against the other modes of transport.

The privatisation of the German railways has a degree of simplicity which is not found in BR's over complex proposals. As with the deregulation and privatisation of the bus industry in the mid-1980s the likely outcome of such complex legislation is likely to be less competition, higher fares and rates, and less freight and passengers carried.

The possibility that lines will be closed is very real. The lack of investment over the next few years also puts at risk the UK railway supply industry. Uncertainty over investment levels and long lead times mean that by the time new private railway operators can get established, UK railway manufacturers may have gone to the wall.

Is Britain then to rely on suppliers based in the rest of Europe, the US and Japan?

There is no coherent government policy or plans for the railways (or transport for that matter). No recent government has sat down and stated what the role of the railways should be in the national economy. Current plans must be "blown off course" as they do not offer the well-run railway that the country needs. A discussion between the secretary of state for transport and his German counterpart might not go amiss.

Ernest Godward,
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Not able to name the day

From Mr Giles Branson.

Sir, Before the chief executive of British Airways and the chairman of Virgin become too friendly, I should like to point out that there is already a company called Marshall Branson!

H Giles Branson,
director,
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Software houses bear high costs of SE's Taurus

From Mr Duncan Paterson.

Sir, Richard Waters's article, "Taurus the octopus" (January 22), mentioned the increasing costs of Taurus to London's already pressed securities industry. However, one major group of participants in Taurus was not even mentioned: the software houses. My company, along with several others, took the initiative to start building systems for Taurus back in 1990, before we had obtained any firm client commitments. We made this decision because of the complexity of the project and the tight time-scales put out by the London Stock Exchange.

To date, it is largely the software houses that have taken the brunt of the continuing delays and changes to Taurus. We have made a substantial investment both in terms of direct and opportunity costs and we are a long way from retrieving an acceptable return on this investment. As well as having been overlooked in your article, this has not generally been recognised by the potential Taurus participants either. The larger software houses, such as my own, are in a position to withstand this, but there must be some serious concern about our smaller brethren.

Finally I am astonished that the exchange had to be persuaded to introduce the extra phase of "many-to-many-testing". This seems fundamental to such a complex system and gives insight into the overoptimistic approach taken by the exchange to Taurus.

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'Clarification' has only complicated competitive tendering

From Mr Norman Willis.

Sir, No doubt Mr Michael Forsyth was trying to be helpful in his letter (January 22) explaining the application of the EC Business Transfers Directive in the UK. Indeed, he was merely repeating the views expressed by the attorney general on January 21 at the standing committee considering the Trade Union Reform and Employment Rights Bill.

Unfortunately, this "clarification" complicates the situation and gives no assistance to those trade unions, private contractors and local authorities seeking to understand how the directive applies to compulsory competitive tendering. Equally it does nothing to explain why government departments have adopted different (and contradictory) approaches to the effects which the directive may have on a range of other transfers from the public to the private sector – market testing, tendering in the National Health Service, etc.

The TUC welcomes the government's proposals in the bill to remedy the defective implementation of the EC Directive in the Transfer of Undertakings (Protection of Employment) Regulations 1981. However, what we are also looking for is clear and definitive guidance from the government on whether the regulations will protect the rights of those people at work affected by CCT and market testing.

It is simply not sufficient for the Department of Employment to abdicate responsibility and say that whether the regulations apply is a question of trust to be determined by the courts. Litigation is a lengthy and expensive process which all the parties affected by the present situation wish to avoid.

The decisions of the European Court of Justice in the field are clear, and it is for the government to explain the relationships between these judgments, the regulations and government policy.

The fact is that the principle behind the directive is a fundamental one: that the interests of employees should be protected where transfers of undertakings take place. Any proposal to withdraw this limited but essential right would fly in the face of the basis of Community social policy, which is that the objective of policy should not prevent change but ensure that the interests of the workforce are protected as change takes place.

That has the supplementary benefit of tending to reduce the opportunities for short-term employer strategies which would undermine the competitive edge of the Community in the longer term. That is why the government's argument for a derogation from or withdrawal of the directive is unlikely to find favour with other Community member states.

We would therefore welcome a clear statement from ministers on the steps which employers must take to ensure full compliance with the directive. We need to know which operations in the government's view are relevant transfers and which are not.

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FINANCIAL TIMES

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Friday January 29 1993

Mr Clinton's trade agenda

THE announcement of provisional US anti-dumping duties on the steel exports of 19 countries was bound to cause a reaction. What must be avoided however is either an overreaction or the wrong reaction. The priority is to encourage the new US administration in the right overall trade policy direction, with completion of the Uruguay Round the immediate task.

This does not mean all is well with anti-dumping. Even Laura D'Andrea Tyson, the new chairman of the Council of Economic Advisers and self-proclaimed "cautious activist", admits that "as currently written and applied, both national and multilateral anti-dumping laws err in the direction of deterring competitive behaviour that is not unfair or predatory". To put the point more bluntly, the anti-dumping bureaucracy is like the sorcerer's apprentice. The US Commerce Department routinely finds 97 per cent of all foreign companies it investigates guilty of dumping. How do the other 3 per cent escape?

There is no reason therefore to doubt the statement by Mr Ron Brown, the new commerce secretary, that these findings, however untimely, are not policy statements" but "mandated procedures and the result of exhaustive investigations". It is the fundamental criteria which are wrong. But as an equally enthusiastic user of the anti-dumping remedy, not least for steel, the European Community is in no position to throw the first stone.

The sensible reaction would be a shrug of the shoulders. The desirable reaction would be to seek US co-operation in attempts to modify the Gatt code, with the aim of making the underlying economic criteria, which bias the procedure in favour of findings of dumping, less economically irrational. There is, alas, little chance of that.

Wrong reaction

The wrong reaction, though the most probable, would be for the EC to seek US agreement to a voluntary export restraint on steel, to replace the one terminated by the Bush administration last year. The world does not need further cartelisation of its steel industry. Still less does it need a precedent on which the US automobile industry will pounce. The EC should instead recognise the absurdity of the global anti-dumping conspiracy, as demonstrated in the ludicrous provisional duty of 109.22 per cent imposed on the export of 35,000 tonnes of steel plate by British Steel, and then move on.

It should focus instead on encouraging the Clinton administration to develop a sensible trade strategy. The ill-assorted Clinton administration does not know what it wants on trade. Many in Congress and the administration do. They want to bash "unfair" foreigners and "protect" supposedly endangered American jobs. The multilateral alternative needs to be made credible. Under current law, however, the US administration needs to notify Congress by March 2 that it intends to proceed towards a deal on the Uruguay Round of multilateral negotiations. This now seems unlikely.

Two alternatives

The administration has two realistic alternatives: to seek a relatively short but unencumbered extension of its "fast-track" negotiating authority, with a view to early completion of the round on the basis of what has already been agreed; or to obtain a longer extension, with the aim of reopening large parts of it.

Both procedures would be risky. But the second looks like euthanasia for the round. To reopen discussion of such issues as agriculture, intellectual property, anti-dumping, subsidies, standards and the creation of a multilateral trading organisation, when negotiators have not yet agreed on market access, would almost amount to restarting the round. It would call into question both the good faith of the US as a negotiating partner and the credibility of multilateral trade negotiations.

This is what Sir Leon Brittan, the new EC external trade commissioner, should be telling his American interlocutors. For perhaps the first time in the postwar era, the US administration does not believe instinctively in the importance of the multilateral trading system. But Sir Leon does. Leadership now rests with him and with the EC. The Clinton administration needs to be cajoled towards expeditious compromises on the outstanding issues in the Uruguay Round. All else is secondary.

The lessons of Lambeth

IF MANY of its local councils were like Lambeth, Britain would be better off without local government.

Fortunately they are not. Nor is the "unprecedented corruption" uncovered by the south London borough's chief executive the tip of an iceberg of town hall fraud and malpractice. However, Lambeth's predicament is but an extreme and grotesque form of two ills which do afflict local government as a whole: the inadequacy of arrangements for monitoring expenditure and efficiency; and acute weaknesses in political leadership and control.

There is no simple panacea, but significant improvements could be expected from four reforms: the use of proportional representation to elect councillors; a strengthening of internal council procedures for monitoring spending and efficiency; remuneration sufficient to attract to local leadership people with successful track records in the world outside; and the guaranteeing of a stable constitutional position for local government.

The case for PR is far stronger at the local than at the national level. Local elections return not a government but a group of councillors collectively responsible for running their authority. Moreover, while the heterogeneous make-up of the national electorate almost invariably ensures both a strong government and a strong opposition, the more homogeneous territory of most councils makes the return of a numerous opposition less assured. Barnsley currently has one non-Labour councillor. In eight of London's 32 boroughs, three-quarters of the seats are controlled by one party. For much of the 1980s, Lambeth had a far-left majority administration endorsed by barely a third of its electorate.

Single-tier authorities

The Local Government Commission looks set to make relatively small, single-tier authorities the norm for England, and similar proposals are in play for Scotland and Wales. If implemented, the current electoral system could prove still more damaging in the future than in the past. PR should be introduced as part of the new structure, preferably in a form retaining ward divisions so that electors continue to have named councillors at their service.

Breaking single-party monopolies will itself help to improve internal monitoring. But reforms to councils' internal structures are also needed.

District auditors and the Audit Commission have done commendable work in promoting best practice and highlighting inefficiency. Within individual authorities, however, few councillors have taken much interest in those tasks, except when forced to by compulsory competitive tendering. The job has mostly been left to officers, who should themselves be a principal object of scrutiny.

Quality leadership

Councillors need to give monitoring a high priority. To encourage them to do so, there should be a clear institutional separation between committees responsible for voting money to spend – the "policy and resources committee" in most authorities – and committees (mostly non-existent at present) charged with overseeing the expenditure and investigating value for money. In short, they need mini-public accounts committees. Ideally, their membership should not overlap with that of P&R, and they should have their own dedicated staff.

At the end of the day, a council is only as good as its members. The quality of today's council leaders is mixed at best. Remuneration is part of the problem. At present, not even the leaders of metropolitan authorities are salaried, and the allowances available even to leaders of the opposition and chairmen of principal committees are derisory. There is much to be said for maintaining the tradition of voluntary service in local government; but not for those posts carrying direct responsibility for budgets of millions. Leaders of the larger authorities should be full-time and paid.

Yet money is not everything. Councils will only attract high calibre recruits if they have a secure future. The government has declared a truce in its war with town halls, but ministers continue to advance proposals to strip functions from local authorities, while emasculating their autonomy over spending. Restoring the integrity of local democracy will take more than smooth words.

A controversial sense of duty

US penalties on steel imports pose difficult choices for the global industry, says Andrew Baxter

The penal dumping duties imposed this week on steel imports into the US have brought predictable cries of protest from around the world. But for the hard-pressed steel industry, the consequences are real enough. About 4m tonnes of steel no longer have a home. Steelmakers in 19 countries, from Australia to Argentina, must either find alternative markets or cut production.

The choice could scarcely have come at a worse time. Worldwide, the steel industry is struggling. In Japan, consumption fell more than 10 per cent last year, according to the Organisation for Economic Co-operation and Development. In Europe, prices have fallen by about 20 per cent since 1989, as a result of recession, domestic over-production, and cut-price imports from eastern Europe.

Late last year Klöckner-Werke, the smallest of Germany's main steel producers, applied for protection from its creditors. Other European steel producers will have to disappear or merge in 1993, Mr Francis Mer, chairman of France's Usinor-Sacilor said yesterday.

World steel consumption overall, says the OECD, has fallen from a peak of 649m tonnes in 1989 to about 607m tonnes last year. Not all of this is due to the economic downturn. Plastics and other lighter materials are taking markets away from steel permanently. In mature economies no longer engaged in heavy industrialisation, demand is in long-term decline anyway. And while there is still strong underlying demand in developing countries, there are also low-cost domestic producers increasingly able to supply it.

In the shorter term, according to the Sheffield-based steel consultancy MEPS Europe, the outlook for world demand is also poor. In Europe it is likely to decline further this year, while the Japanese economy is not expected to pick up until later in 1993. In the US market, meanwhile, prospects are improving but the rate of growth is likely to be slow. The Latin American producers may find their domestic markets more difficult, and a further decline in production is expected in eastern Europe. As for western Europe, according to Mr David Morgan of Lehman Brothers, the stockbroker, gross domestic product needs to rise by 1.5 per cent simply to keep steel demand steady.

This catalogue of problems puts the row over US imports into perspective. That is not to say that the anti-dumping duties are not damaging. Temporary duties imposed this week on carbon steel products were as high as 109 per cent; and as Mr Morgan says, "any duty above 10 per cent is enough to choke people out of a market".

But for British Steel, which faces duties of 109 per cent on its steel plate exports, the duties are described merely as "an aggravation". Its annual sales of 35,000 tonnes of steel plate in the US, worth £27m, are "equivalent to half a week's output at Scunthorpe", it says. Less than 20 per cent of its exports to the US is affected by the decision.

Among other European producers, Hoogovens of the Netherlands is, relative to its total sales, one of the biggest exporters to the US. Usinor-Sacilor of France and Italian and Spanish producers also export to the US. According to Mr Ekkehard Schulz, management board chairman of Thyssen Stahl, the steel unit of Germany's Thyssen group: "The temporary duties imposed by the US would have little effect on the company but would heighten tension on the European market."

Eurofer, the association of European steel producers, reacted gloomily to the US action which, it said, would place "a large question mark over the immediate future of the EC steel market, the situation of which is already worrying". It predicted the duties would cause "total disorder on the international market".

BHP of Australia, which expressed "extreme surprise" yesterday at the Commerce Department's ruling, sells about 135,000 tonnes of Australian rust-resistant steel in the US.

In truth, the imposition of duties by the US Commerce Department is not all bad news, especially for the European producers. There is frustration, inevitably, at the partial loss of access to the world's second-biggest steel market, just as confidence is returning to the economy. And while the tonnages involved are low, the products tend to carry high profit margins.

But the overhanging threat of action by the Commerce Department had already pushed up domestic US steel prices. Importers may be able to raise prices on products not affected by the anti-dumping action, says Mr Jonathan Aylen, senior lecturer in economics at Salford University.

Indeed, trade in many of the products affected by the anti-dumping decisions had been cut back sharply in recent weeks. The release in November by the Commerce Department of preliminary findings on countervailing duties – used against alleged subsidies of foreign steelmakers – was a clear sign for importers of how the wind was blowing.

It may not be coincidental that the threat of anti-dumping action coincided with almost all leading European steel producers cutting their fourth-quarter output by 15 per cent to 20 per cent. The forthcoming loss of American sales "concentrated producers' minds, which was probably a good thing", according to Mr Edward Hadas of Morgan Stanley, the investment bank.

Total steel imports to the US market had, in any case, fallen from 20.9m short tons (the US measure which is about 10 per cent less than a tonne) in 1988 to 15.8m in 1991. European producers were not expecting to recover the shortfall, says Mr Hadas: the US industry has improved greatly from its dilapidated state in the 1960s and 1970s, and should now be able to supply the domestic market, barring some specialist products.

So what will be the fate of the 4m lost tonnes? Yesterday the message from European producers was clear. Finding new markets is not an option. In any case, they are already pursuing a different strategy, which concentrates on keeping prices up rather than chasing volume.

Cockerill-Sambre, Belgium's largest steel producer, says it will raise prices by 15 per cent to 20 per cent in the second quarter of the year, following the lead set earlier this month by British Steel, Usinor-Sacilor and Thyssen.

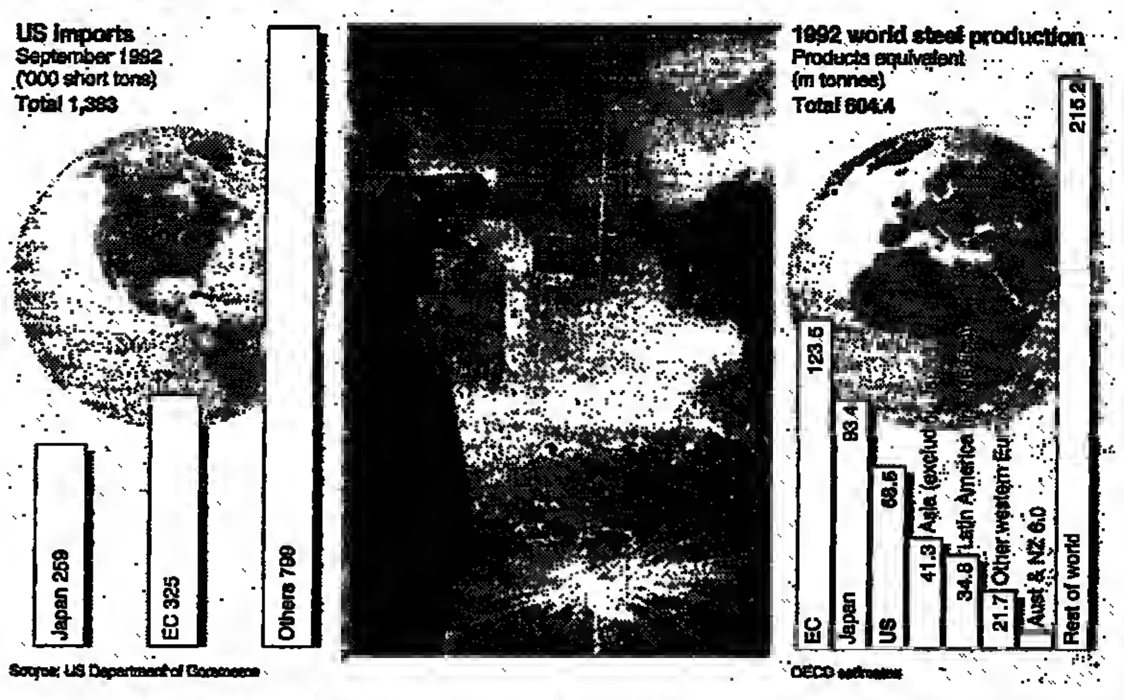
Success in raising prices cannot be guaranteed, however. Already, for example, there have been rumblings of dissent from big customers in the European automotive industry. And Europe's steel producers tried to push prices up last year and failed, largely because of overproduction. They appear genuinely determined, though, that it will be a different story in 1993, and the involvement of big companies in the price rises improves the chances of making them stick.

At the same time, they are unlikely to raise production simply to recoup lost sales in the US, for two reasons. First, alternative markets would be extremely difficult to find in the present environment. Second and most important, maintaining a disciplined approach to output will be a crucial element in maintaining the price increases.

With virtually all European steelmakers losing money, the over-riding priority for the industry is the successful implementation of measures which are now being mooted by the European Commission to protect it. The European Community's special steel envoy, Mr Fernand Braun, has been touring EC steel companies in recent weeks to assess the extent of the crisis, and will be submitting his recommendations next month. About Ecu500m could be available to help steel producers cut capacity permanently, so short-term restraint on output is in their long-term interests. The European industry wants financial help to cover an expected 50,000 job losses over the next three to four years. Observers believe Mr Braun's talks went well, suggesting that companies realise they cannot expect rivals to make capacity cuts without responding themselves.

Few, if any, of the other countries targeted this week by the Commerce Department will find alternative markets easily. For east European producers on the list, such as Poland and Romania, domestic markets have been ravaged by the political and economic turmoil of the past three years, and further cut-price imports to the EC would simply be used as ammunition by western producers who claim that eastern products are unfairly subsidised. Japanese producers will hardly find solace in their domestic market either. In this situation, most of the world's steel producers are in the same boat.

Steel: heavy weight of overproduction



Clearing up Britain's energy mess

PERSONAL VIEW

The trade and industry select committee will today publish its report on British energy policy and the market for coal. It will provide stark proof, if any were needed, of the scale by which the government has botched the privatisation of UK gas and electricity.

Far from opening the industry up to the forces of competition, we have seen uneven bargaining in the marketplace. At the same time a conflict has developed between short- and long-term factors, commercial interests and strategic priorities for the nation.

Having served on the committees for the gas and electricity bills as well as on the trade and industry committee I have seen the government plough on with measures which distorted the market and led inevitably to the present mess.

The nation was understandably outraged and confused at the sudden announcement on October 19 that 31 pits were to close and 31,000 miners and tens of thousands of other workers faced immediate dole.

Three questions arose. How had this come about? Was there a cheaper way of spending taxpayers money than financing redundancy and unemployment? Why were we abandoning, perhaps irretrievably, such a large amount of our indigenous coal reserves?

To see how this arose it is necessary to look back into the government's privatisation programme. British Gas fought successfully to be privatised as a monopoly, despite strenuous argument that it should be broken up for a genuine market to develop. The company was referred to the Monopolies and Mergers Commission as soon as it was privatised because of its dominance in the industrial market. Ever since, Sir James McKinnon, the director of Ofgas, the industry regulator, has been battling to open up a genuine market for gas.

The opportunity to achieve this has been offered by the advent in the electricity industry of combined-cycle gas turbine generation. Eighteen months after gas privatisation, Cecil Parkinson, then secretary for energy, told parliament he would not repeat the mistakes of gas privatisation and would break up the industry. Yet his approach at the outset was timid, and once it emerged that high costs and uncertainties over reprocessing and decommissioning made nuclear power unsaleable, he was left with a generating duopoly – National Power and PowerGen.

The regional electricity distributors, faced with two generators which owned all the coal-fired power stations, were desperate to move into generation to give them something with which to bargain. The dash for gas was on.

The coal industry was squeezed out of the market, and the generators refused to be locked into major long-term coal contracts. British Coal, faced with its own privatisation pressures, had no choice but to shut down pits.

The main market for coal is electricity supply. It does not have the flexibility of oil and gas. Faced with new gas technology, a subsidised and capacity-protected nuclear industry, subsidised French electricity, rising imports of cheaper coal and environmental constraints, sharp decline was inevitable.

Yet the industry is responding with new technology and changing working practices. Its own forecasts and the assessment of independent experts all say they can achieve world market prices within three to five years. However, if the abrupt market change is allowed to work through, Britain will not have the pits to meet the potential capacity, much of which will be taken up by imports. With opening or re-opening a pit costing about £400m, reserves abandoned now will be lost forever. Had the government liberalised the gas and electricity markets before privatisation, much of the present debacle could have been avoided.

A generation ago there was a dash for oil that has left a succession of white elephants – under-utilised oil-fired power stations. The gas stations are unlikely to suffer that fate. But we desperately need a regime that promotes genuine competition against a background that will secure a strategic balance of a sensible and flexible fuel mix, the best use of our indigenous reserves of all fuels and minimal long-term dependence on imports.

The committee has had to address a serious short-term crisis produced by ill-thought-out measures. British coal faces a strong challenge, but I believe we have created a breathing space to address all these issues without destroying confidence in any sector.

Malcolm Bruce

The author is Liberal Democrat trade and industry spokesman and member of the trade and industry select committee

OBSERVER

Double up in t'pit

■ It may be old hat these days to talk about there being reds under the bed. But it is rare indeed to find a public figure who has actually shared one with miners' leader Arthur Scargill, especially when the figure is Richard Caborn, Labour chairman of the cross-party committee which is about to reveal how to save Britain's coal industry.

Caborn, MP for Sheffield Central, says the reason for the sleeping partnership was that his brother David was a friend of both Scargill and former shipbuilders' union chief, Jimmy Reid, who used to visit the Caborn family's small house and occasionally stay overnight.

But the MP stresses that, although he shared a bed with the fiery miner, they did not share a pillow. They slept head to toe.

Early bird

■ Whatever other sorts of soldiers do, ex-paratroopers apparently never even fade away. Take for example the performance of near 77-year-old Sydney Robin at yesterday's Control Securities annual meeting.

Pressed to take on the executive chairmanship when former boss Nazmu Virani was arrested in connection with the BCCI affair, Robin has been working full time trying to balance the competing claims of banks, shareholders and bondholders.

Those who remember him at Great Universal Stores – he was known to take off a shoe in a meeting and bang it on the table Khrushchev-style – will not be surprised at the success of the tough line he took with the shareholders. All the resolutions were carried, and the proceedings were over by 10am.

That led Robin to sympathise with the assembled company, who'd been called out for a 9 o'clock start in case the meeting carried on for hours. He himself had been in the office since 7.

Seoul singer

■ Perhaps newly arrived saxophone-blowing President Clinton should get together for a gig with his departing South Korean counterpart, Roh Tae-woo. To mark his retirement next month, Roh has made a compact disc including a TV theme tune which he sings himself, as well as four of his own compositions performed by local stars.

Ex-communicated

■ As it's a chairman's job to hire and fire chief executives, it was right and proper that the tricky calls about Chris Greentree's

departure from Lasmo should be fielded by Lord Rees, the former Tory MP now in the company's top seat.

Nevertheless, he might well have been able to get his message across to the media even better if the man doing the departing didn't happen to be the husband of Lasmo's public relations chief, Hilary Wilson.

Un-statesmanlike

■ What on earth does the New Statesman and Society think it's up to in printing sensational allegations about the prime minister?

It may be a good way of promoting the magazine's relaunch – reputedly financed by the proceeds of selling its picture of security service chief Stella Rimington, the only extant snap showing her face. But besides risking the organ's future by courting enormous damages, the action is scarcely in keeping with its past.

In particular, such a sort of journalism is enough to set the Statesman's starchy founders, Fabians Sidney and Beatrice Webb, spinning in their urns.

Special

■ After months of trawling the City, Norman Lamont – or rather his financial secretary, Stephen Dorrell – has found a new special adviser. Swiss Bank Corp's Rupert Darwall is hardly a household name in the City, unlike his predecessor, Alastair Ross Goobey.

But the 31-year-old is the one adviser earmarked for his feel for the markets and what the City is thinking. He is a protégé of John Major's former political secretary, Judith Chaplin, and comes from the "dry" end of the Tory party, being the sort of fellow who feels that the benefits of the Thatcher period are being wasted.

Darwall has no problems in accepting a sizeable salary cut, because he regards the sacrifice as an investment in the "long-term quality of his earnings".

Best known in the City for his work as a transport economist, Darwall is confident that his job security will not be threatened by any change at 11 Downing Street.

Even so, it is not all that long since a still better-known transport economist had a part in certain upheavals right next door.

Anyone remember Sir Alan Walters?

Wild west?

■ Separatists wanting to make Scotland a free state within the European Community may be upstaged by rebels in west England, according to a Brussels interpreter's version of EC commissioner Hans van den Broek's remarks on impending additions to the membership.

Negotiations could soon be completed, the interpreter said, with "Austria, Finland and Swindon".

Far stretch

■ Now here's a statistic to boggle the mind. Japan's Toilet Association says that the paper the Japanese flush down their lavatories daily would wrap 10 times round the equator.

At that rate, it would take them only one year, one week and one and a half days to bridge the gap to the rising sun – given adequate fire-proofing, of course.

FINANCIAL TIMES
Friday January 29 1993

Growth in imports raises concerns over reduced manufacturing capacity

UK monthly trade deficit soars

By Emma Tucker and Alison Smith in London

RECORD IMPORTS in December pushed Britain's trade deficit to its highest monthly level for 2½ years and inflated the annual current account deficit for 1992 to almost twice that of the previous year.

The last full set of trade figures for six months showed the UK's visible trade gap widening to £1.74bn ($2.62bn) in December as the value of exports fell and the value of imports rose to their highest ever level, boosted by the lower pound. The figures compared with a £1.41bn shortfall in November.

The monthly deficit on the current account – which includes a £200m surplus on invisible items, such as financial services, government transfers and dividends – was £1.54bn, the biggest since June 1990.

In spite of the poor figures, the government could draw comfort from the fact that the growth in export volumes outpaced import volumes in the fourth quarter.

The figures were broadly in line with market expectations. But analysts said the sharp rise in imports reflected more than the effect of sterling's devaluation, prompting concern that the UK does not have the manufacturing capacity to close the trade gap when the economy recovers.

The figures provided some evidence of recovery, with strong growth in imports of consumer durables and manufactured components. The message was reinforced by news that the narrow measure of the money supply – notes and coins in circulation – is likely to breach the upper limit of its Treasury target range this month.

M0 is considered by the Treasury to be a reliable guide to underlying inflationary pressures. According to estimates based on Bank of England figures published yesterday, it has risen by a seasonally adjusted 4.2 per cent this month compared with last January. The upper limit of the Treasury range is 4 per cent.

The December figures from the Central Statistical Office rounded off a dismal year for the UK's trade position. In spite of recession – normally expected to depress imports – the current account deficit last year was almost double the size of the previous year's shortfall.

In 1992 it ballooned to £11.8bn, with imports at a record annual high of £120.4bn. This compares with a current account deficit of £6.32bn in 1991. The deficit on visible trade was £13.77bn compared with £10.3bn in 1991.

The figures prompted fierce opposition attacks in Parliament on the government's handling of the economy. Mrs Margaret Beckett, Labour's deputy leader, warned that "the country is still in deep recession and deep trouble".

The UK and other European countries now face a gap in the publication of intra-EC trade figures as a new system for measuring trade data, in line with the single market, is introduced.

Although export volumes are expected to pick up this year as UK goods benefit from the devaluation of the pound, most economists expect the trade deficit to deteriorate slowly over the year.

The exact position will not be known until June when the CSO publishes the new set of figures.

Export volumes, excluding oil and erratic items, slipped by 1.7 per cent month-on-month in December while imports rose by 1.3 per cent.

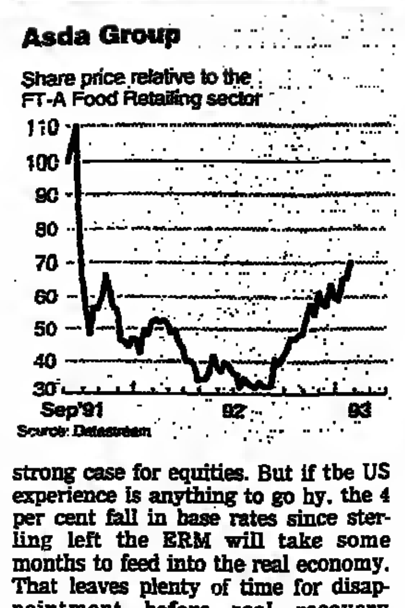
Details, Page 7

THE LEX COLUMN

Asda stocks up

The stock market so loves a recovery story that it seems inclined to forgive past disappointments. Yesterday, Asda swept in to collect another £347m of cash thereby pre-empting a pipeline of rights issues it believed was developing. The move came earlier than Asda would have liked. It therefore had scanty trading evidence with which to back its bold assertions. But investors did not seem to care. They marked the shares up 8 per cent anyway.

FT-SE Index: 2816.9 (-15.6)



This enthusiasm is unnerving for the food retailing sector. In the last couple of years, investors have handed over more than £2bn to grocery chains to fund expansion. They have also bid the sector up to a five-year high. But many of the retailers' expansion plans were based on the premise that others would drop out. Instead, there are likely to be six well-financed grocers in the FT-SE 100 by the year-end.

Of these, Asda will still look the most vulnerable. At one level, all it will achieve through its two rights issues is to refinance its near-ruinous acquisition of 60 Gateway superstores. Its mountain of expensive short-term debt will be replaced by £700m of cheaper equity finance. The critical question remains whether Asda can successfully re-ignite growth. So far, the new management has excelled at squeezing improved profits from its £4bn sales base. But this process will soon run its course. Asda's greater financial leeway will enable it to revamp stores and launch its unproved Dales discount chain. But the market is placing extraordinary faith in Asda's long-term future in what increasingly looks like a zero-sum industry game.

UK Equities

The window of opportunity for rights issues may not stay open for long. It is not so much that institutional coffers will run dry. Life companies and pension funds can always run down cash balances or borrow short-term if the opportunities are too good to miss. Moreover, institutions see no good reason to buy bonds at current yields and, even allowing both for a hefty government offering of BT shares this year and a large cash call from ICI when it does the splits, their enthusiasm for equities would be far from satisfied. Whether that will still be the case when the government's funding programme gets under way in earnest is another matter.

Lower short-term interest rates and a devalued currency amount to a strong case for equities. But if the US experience is anything to go by, the 4 per cent fall in base rates since sterling left the ERM will take some months to feed into the real economy. That leaves plenty of time for disappointment before real recovery emerges. If long gilt yields are also soon on a rising trend, the equity market will be hard pressed to sustain its optimistic mood. The government may find a way – perhaps by regulatory requirement or by issuing index-linked stock – of attracting institutions into gilts without the need for higher yields. That would mean less cash for rights issues.

UK economy

It is easy to blame Britain's striking propensity to import on structural imbalance in the economy. The harder question is the matter of degree.

While yesterday's import figures were made even more horrible by the notorious J-curve effect, the data also show import volume slowed sharply after September's devaluation. The logical explanation is that imports were pushed up by an overvalued exchange rate while the UK was in the ERM.

Now that problem has been corrected, one could hope for slower import growth than would normally be expected in a recovery. That depends, though, on how domestic manufacturers use the leeway created by devaluation. If they are determined to push up margins at the first opportunity, they will rapidly lose competitive edge. The example set by exporters is not particularly encouraging. The value of their sales rose noticeably faster in the last quarter than the volume.

Stakis

Having sold its nursing homes, Stakis is no longer in need of nursing care. That does not mean a clean bill of health, however. Almost by chance, since its first instinct was to sell its casinos, it is left with a well-balanced business in which the leisure division should provide the cash to help develop hotels. Stakis is well rid of 20 unproductive nursing home sites whose value is falling and which it cannot afford to develop.

Still, the extent of the write-down associated with the healthcare sale does not inspire confidence. The hotels are unlikely to suffer quite such pain when they are reviewed at the end of the year, but some downward adjustment is inevitable. True gearing is thus somewhat higher than the new indication of 42 per cent. While interest cover remains tight and room rates depressed Stakis must still count as a convalescent.

MFI

The *sang froid* of MFI's management offers a soothing contrast to the company's trading performance since sterling left the ERM. Despite the sharp fall in interest rates, turnover is down, and this January's sale compares poorly with last year's. Indeed, the company seems more sensitive to increases in unemployment and the declining housing market than to cuts in interest rates. Last autumn's heavy redundancies hit the blue-collar workers who are MFI's natural customers. With consumers still keen to reduce debt, expensive domestic purchases like kitchens are likely to remain a low priority when recovery eventually starts.

Of course MFI is still generating cash and has an enviable return on capital, even at the low point of the cycle. When the housing market picks up, profits will certainly rise sharply. But timing is all. Even if MFI meets the City's profits expectations for the next financial year, the company will still be at a 20 per cent premium to the sector. The risk remains that those expectations will be frustrated. The management's readiness to blame market conditions might be more palatable if it were not going to take at least another 18 months to return to the profit level achieved before last summer's flotation.

Geneva talks threatened by further fighting in Krajina

UN may be asked to intervene in Bosnia

By Robert Mauthner, Diplomatic Editor, in London

BOSNIA peace mediators Mr Cyrus Vance and Lord Owen may soon decide to ask the United Nations Security Council to impose a settlement on the three warring factions.

After six days of intensive talks in Geneva on the proposed map dividing Bosnia into 10 semi-autooomous provinces, very little progress had been made, according to the conference spokesman, Mr Fred Eckhard.

It is also clear that the serious outhreak of fighting between Croats and Serbs in Krajina, the Serh-occupied region of Croatia, has broken the momentum of the confereoce on Bosnia and weakened the political will of all three warring parties – Serhs, Moslems and Croats – to reach an agreement.

"One of the options before the [Security] Council would be whether it would consider enforcing a peace proposal that Vance and Owen think is fair, even if one or two of the parties had not signed on to it," Mr Eckhard said.

It remains unclear what measures the Security Council would take to enforce the peace plan, given the deep reluctance of most of its members to resort to military intervention.

There was no firm indication yesterday as to whether the international mediators had set themselves a deadline for reaching an agreement. The general assumption appears to be that they are prepared to spin out this round of negotiations at least until the weekend. But if no progress has been registered by then, the decision to turn to the Security Council could come very quickly.

In London, Mr Douglas Hurd, the foreign secretary, ruled out any international military intervention in Bosnia. He emphasised again that British troops would not become directly involved in the conflict, but restrict themselves to a humanitarian role.

French sailors leave Toulon aboard the aircraft carrier Clemenceau

Testifying before the parliamentary foreign affairs committee, he said: "We don't believe it is possible to impose a peaceful solution [in Bosnia] by means of a military protectorate."

A proposal to tighten sanctions against Serbia by closing its borders to all trade would be discussed by European Community foreign ministers next Monday, he said. Referring to the renewal of Serbo-Croat hostilities in Krajina, Mr Hurd said this development made it essential that the mandate for the UN Protection Force (Unprofor) in Croatia be extended after it expires at the end of February. "There is a real danger in the absence of a mandate of a renewal of war between Serbia and Croatia."

Croatian forces captured a strategic dam yesterday but said retreating Serh troops had set off three demolition mines at key points, threatening the structure with collapse. A statement issued by the town of Sinj said an emergency evacuation of more than 20,000 people living in 20 communities in the valley below the dam would have to be considered.

Serbs set off dam mines, Page 2

EC holds fire as members attack US for steel penalties

By Our Foreign Staff

THE European Community yesterday shied away from confrontation with the US over Washington's imposition of stiff anti-dumping penalties on carbon steel from 19 countries. But individual governments and producers condemned the Commerce Department action.

Britain's Department of Trade and Industry described the US measures as "protectionist" and "an outrageous harassment". The Australian government described them as amounting to "trade harassment".

France threatened to push for an EC complaint to the General Agreement on Tariffs and Trade. Mr Dominique Strauss-Kahn, the French industry and trade minister, said Washington's decision was "completely against Gatt rules and one option for the European Community is precisely to put down a complaint at the Gatt". He added: "The Americans are pushing for an agreement in Gatt, and on the side they are doing exactly the opposite."

Mr Pierre Bérégovoy, France's prime minister, said European retaliation would be necessary if the US followed a protectionist line.

The Enropean Commission made clear, however, that it did not wish to paint the Clinton administration as protectionist. It moderated its earlier condemnation of Wednesday's decision to impose preliminary duties ranging to more than 109 per cent. "We do not believe there has been an ideological change" on the issue, said a spokesman for Sir Leon Brittan, EC trade commissioner.

A statement from Mr Ron Brown, US commerce secretary, saying the anti-dumping decision was based on mandated legal procedures rather than a new policy statement from the Clinton administration, received a guarded welcome in Brussels.

Editorial Comment, page 13
EC tries to step back from confrontation, Page 5

GM shifts production from Finland

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS Europe has transferred all production of its Opel/Vauxhall cars in Finland to Germany, triggering a complex legal battle with its Finnish partner Valmet, the state-controlled paper machinery and engineering group.

GM has moved production of its Opel/Vauxhall Calibra coupé from Valmet's plant at Uusikaupunki to one of its main German plants at Rüsselsheim, near Frankfurt.

The US carmaker, which is in second place in the west European new car market, has been forced to introduce short-time working at the Rüsselsheim plant during the first three months of this year in the face of weakening new car sales in west Europe.

It has moved the Finnish assembly to Germany to improve capacity utilisation at the German plant and to avoid the added cost penalties of production in Finland.

Mr Louis Hughes, president of GM Europe, said the company incurred a cost penalty of about FM5,000 ($912) per car for Calibras produced in Finland compared with assembly of the same car in Germany.

GM had shipped many of the components to Finland from its plants in Germany, incurring substantial transport costs.

In a separate move to cut production costs in Europe, GM is also planning to reduce output at its Bochum plant in Germany, hy moving from three-shift to two-shift working.

The company has already introduced short-time working at its Antwerp, Belgium and Luton, UK assembly plants.

The GM action in Finland is a significant hlow to the loss-making Valmet group, which produced 34,556 Opel/Vauxhall cars in 1992 and 21,532 in 1991, but which now faces the complete loss of the Opel husiness in 1993.

Valmet is left only with the assembly of the Saab 900 convertihle of which it will produce 7,000-8,000 this year compared with 10,800 in 1992. Saab Automohile is owned equally hy GM and Saab-Scania of Sweden.

Valmet is seeking to resolve the dispute with GM under Finnish arhitration rules, but GM is challenging the legality of this move. It is expected to move soon to invoke arbitration under the rules of the UN Commission for International Trade Law, as stipulated in the 1990 Calibra assembly agreement.

Adam Opel, GM's German subsidiary, signed an agreement with Saab-Valmet, now a wholly owned subsidiary of Valmet, in June 1990 for the assembly of the Calibra in Finland at a time when GM needed extra capacity in west Europe with new car demand at a record level.

The assembly agreement with Valmet is not due to expire until the end of 1996. Under the terms of the deal, GM believes that it is free to decide the volume of cars to be assembled in Finland each year. This output can be zero, as there are no volume guarantees, hut only an agreed price per unit.

New car unveiled, Page 3

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	9	45	Frankfurt	Dr	3	37	Majorca	S	13	55	Oporto	S	9	48	Tenerife	C	17	63
				Brussels	C	9	48	Geneva	C	6	43	Malaga	S	15	57	Oslo	S	-4	25	Tokyo	S	7	45
				Budapest	F	2	36	Gibraltar	S	16	61	Malta	F	13	55	Paris	R	9	48	Toronto 1	Sn	-10	14
Ajaccio	F	14	57	Buenos Aires	F	33	91	Glasgow	C	3	37	Manila	C	27	81	Prague	F	-1	30	Tunis	C	16	61
Algiers	S	17	63	Cairo	F	20	68	Helsinki	S	-12	10	Melbourne	C	20	68	Reykjavik	F	1	34	Valencia	S	15	59
Amsterdam	C	8	46	Cape Town	S	26	79	Hong Kong	S	15	59	Mexico City	F	10	60	Rhodes	S	13	55	Venice	F	7	45
Athens	S	14	57	Caracas	F	27	80	Innsbruck	R	1	34	Miami 1	S	13	55	Rio d'Janeiro	F	40	104	Vienna	Sn	2	36
Bahrain	S	17	63	Casablanca †	S	16	61	Inverness	C	5	41	Milan	F	5	41	Rome	F	14	57	Warsaw	C	-1	30
Bangkok	F	27	81	Chicago †	S	-1	30	Islamabad	F	19	66	Montreal †	S	-19	-2	Salzburg	Sn	-1	30	Washington †	F	-1	30
Barcelona	S	11	52	Cologne	R	3	37	Istanbul	F	6	43	Moscow	F	-9	16	S'Francisco 1	Fg	7	45	Zurich	C	6	43
Beijing	S	4	39	Copenhagen	S	3	37	Jakarta	R	30	86	Munich	Sn	1	34	Seoul	S	-3	27				
Beirut	R	15	59	Corfu	S	12	34	Johannesburg	F	25	77	Nairobi		–	–	Singapore	F	29	84				
Belfast	C	10	50	Dallas 1	F	7	45	Lisbon	C	11	52	Naples	F	13	55	Stockholm	C	-3	27				
Belgrade	C	2	36	Dublin	Dr	11	52	London	C	11	52	Nassau	C	24	75	Strasbourg	C	6	43				
Berlin	F	1	34	Dubrovnik	S	11	52	Los Angeles †	S	10	50	New Delhi	S	21	70	Sydney	S	30	86				
Biarritz	S	12	54	Edinburgh	F	4	39	Luxembourg	C	6	43	New York †	S	-2	28	Taipei	C	11	52				
Bombay	S	33	91	Faro	S	19	91	Madeira	C	17	63	Nice	C	11	52	Tangier	S	16	61				
Bordeaux	C	9	48	Florence	S	12	54	Madrid	F	7	45	Nicosia	F	16	61	Tel Aviv	S	17	63				

Temperatures at midday yesterday
1 Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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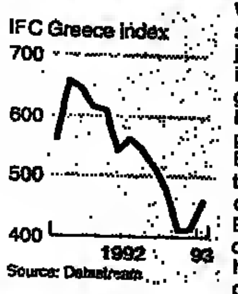
INSIDE

Fiat profits hit by cocktail of problems

Fiat, Italy'a biggast private-sector company, yesterdey confirmed its profits had fallen sharply in 1992 and described the year ahead as "critical". The group's car business, hit by rising competition and recession, is believed to hsva made a loss. Mr Giovanni Agnalli, chairmen, relered to a cocktall of recession, monetary turmoil, high interest rates and Italy'a domestic economic probleme. Page 16

Athens regains confidence



While Greek politicians argua about which projects to includa in an infrastructure programme made posaibla by EC funding, the prospect of money from Brussela is already contributing to a recovery on tha Athens Stock Exchange. Cement end construction shares have shown merked gelna. Back Page

Stakis in £28m rights issue

Stakis, tha UK nursing homee to casinos group, emerged from convalescence yesterday by selling its nursing homes division and launching a £28m 1-for-3 rights issue. It will now concantrate on hotels and casinos. Sir Lewis Robertson, who cama in as chairman in aarly 1991 whan tha problems of the ovar-extended company became critical, said Stakla's futura wss now "much more firmly assured with its senior direction fully aettled". Page 20

LBC parent calls in receiver

Crown Communications, the parent ol LBC, tha London talk radio station has gone into receivarship. Control hes passed to Chalverton Investments whosa msln shareholders are Mr Mstthew Cartisser and Mr John Portar, tha son of Osme Shirlay Portar, tha Consarvative politician end Sir Leslla Portar, the former prasident of Tesco. Mr Christopher Chataway (above), lhe Crown chairman who la also chsirman of the Civil Aviation Authority, is axpected to remain chairman of LBC. Page 21

Walking a knife-edge for Russia

Russian domestic gas prices will be increased by up to 200 par cent on Fabruary 1 in sn effort to maka them catch up with past inflation, Mr Rem Vyakhirav, chairman of Gazprom, tha Russian stata production company said yesterday. "But as soon as you ask for a highar price, everyone thinks you're the enemy of tha peopla, politically wa ara walking on a knife-edge." Ha said prices must rise to aupply capital to develop new gas flalds. Page 30

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Chief price changes yesterday

FRANKFURT (DM)				Falls		
Rises				Cr Fonc France	978	- 20
AG Ind & Verk	454	+ 9		Ecco	393	- 15
Asko	584	+ 8		Gaumont (Soc N)	351	- 11.8
Herlitz	265	+ 6		Pinault Printemps	800	- 24
Falls				UFB Locabail	210	- 10.5
Badenwerk	274	- 11		TOKYO (Yen)		
Gehe	780	- 20		Rises		
Zanders Feinpap	178	- 12		Asia Air Survey	850	+ 100
NEW YORK ($)				Chinon Inds	390	+ 48
Rises				Jaaco	1440	+ 140
Lotus Dev	23¾	+ 2		Nitto Seimo	568	+ 75
Falls				Toyo Tire	390	+ 45
Amer Express	22⅛	- 3⅛		Falls		
Intel	109½	- 3⅞		Hoha Textile	141	- 18
Service Merch	11¾	- ⅝				
Sun Micro	37⅜	- 5⅛				
UAL	123	- 2½				
PARIS (FFr)						
Rises						
Cap Gemini	149	+ 9				

New York prices at 12.30pm.

LONDON (Pence)				Shandwick	26½	+ 3½
Rises				Stakis	127	+ 6
ASDA	67¾	+ 4¾		Stakis	45	+ 4
Brent Walker	10	+ 1¾		Tadpole Tech	250	+ 26
Brown Shipley	51	+ 5		Watson Philip	333	+ 30
Bart Group	60	+ 6		Falls		
Dolphin Pack	108	+ 11		BM Group	50	- 10
ERF	200	+ 30		City Site Ests	13	- 11
Gresham Tele	57	+ 9		Dewhurst	605	- 45
Hi-Tec Sports	74	+ 11		Lister	21	- 3
Inwat Systems	65	+ 11		MFI Furniture	128	- 7
Leo Group	8	+ 1¾		Smith (WH) A	425	- 15
Micronlet	26	+ 3½				
Meyrs	435	+ 48				
Proudfoot (A)	104	+ 7				

Aircraft makers fight to escape from the slump

Paul Betts, Andrew Bolger, Charles Leadbeater and Martin Dickson analyse worldwide effects of recession in the aircraft industry

FOR the past 12 months, Boeing has been discussing possible production cuts with its huge range of suppliers and subcontractors. For them, this week's news that Boeing would be cutting annual output by 40 per cent did not come as a surprise.

That did not make it any more pleasant. Boeing's cuts ceme after similar decisions by its two smaller competitors, McDonnell Oouglas and the European Airbus consortium.

The industry believes it is coming to the bottom of its worst cyclical downturn since the second world war. But, unlike in previous cycles, there are no signs of s rapid recovery. Excess capacity – put by some analysts at about 10 per cent – and too many aircraft programmes are dragging down profitability.

The big engine manufacturers have been hardest hit by the production cuts. All three – Rolls-Royce, Pratt & Whitney, and General Electric of the US – are committed to costly long-term developmeot programmes for new engines to power the next generation of widebody aircraft. Usually, it takes an engine maker about five years longer to see a payback from a new project than it does an airframe manufacturer.

For US parts manufacturers, the cuts in airliner production come on top of the sharp decline in the US defence equipment budget. Companies suffering range from manufacturers of airframe fasteners, such as Hi-Shear Industries, to makers of sophisticated avionics systems, such as Honeywell, the controls group.

Northrop, the Los Angeles-based defence contractor that is best known for making the B-2 bomber but which also makes the fuselage, doors and other small parts for the Boeing 747, will be hit hard by the decision to cut back 747 production next year from five aircraft a month to three.

Analysts believe Northrop's revenues on each jumbo jet total between $10m and $15m, which means the company could lose between $240m and $360m a year in sales.

That is not large relative to Northrop's total group sales of some $5.7bn, bnt the company has been trying to estahlish a much larger presence in the commercial aircraft market to offset declining defence industry sales.

In spite of the slowdown, and the likely cuts in johs that it involves, Northrop says it remains optimistic ahout the industry's long-term growth.

Overseas, other suppliars hit by the cutbacks say the same. Smiths Industries of the UK puts avionics worth ahout $500,000 into each Boeing 737, so the cut in production from the recent peak of 21 monthly to 10 will have a significant impact. However, the UK company said 60 per cent of its avionics go into the defence sector which, despite cuts, was looking rohust – particularly in the US.

TI Group, the specialist engineering group, says it factored-in the present downturn in demand when it took over the struggling aerospace engineer Dowty in 1991 with a hostile hid. Dowty supplies undercarriages and activation systems to both Boeing and Airhus, and TI said it was confident that the sector's long-term growth trend would be resumed.

Lucas Industries makes engine management and activation systems for Boeing and power generators for Airbus. The Birmingham-based group said the latest cuts would have little effect, because it had already taken a very cautious view of demand.

It was the collapse in Lucas's aerospace profits last year that has made the motor and aircraft components group appear vulnerable to a takeover. The company most often cited as predator is BTR, the industrial conglomerate that took over Hawker Siddeley at the end of 1991 after the UK group's aerospace and other engineering businesses had all been hit hard by recession.

In Japan, where the aerospace industry is small by international standards, a string of companies that have become closely linked to Boeing in the past few years will be affected.

Mitsubishi Heavy Industries, which has about 30 per cent of the Japanese aerospace industry's output, supplies parts for the rear body of the Boeing 767 and inboard flaps for the 747. Shipments of both will drop from five to three a month from July, according to MHI.

It will not have much of an impact on MHI as a whole, however. Aircraft account for about a fifth of MHI's annual sales of Y20,500bn. Less than five per cent of the company's sales go to Boeing, so at most its overall sales will fall by about 1 per cent.

Kawasaki Heavy Industry, which supplies the forward fuselage and body panels for the 767 as well as components for the 737 and 747, said the cuts would have a big impact on its aerospace business.

Toray, the chemical company, which this summer will start producing carbon fibre for Boeing from a US plant, said it was well prepared for the cuts. Toray has also diversified. Aerospace accounts for just 30 per cent of its carbon fibre sales and 50 per cent go to manufacturers of sporting goods such as tennis rackets.

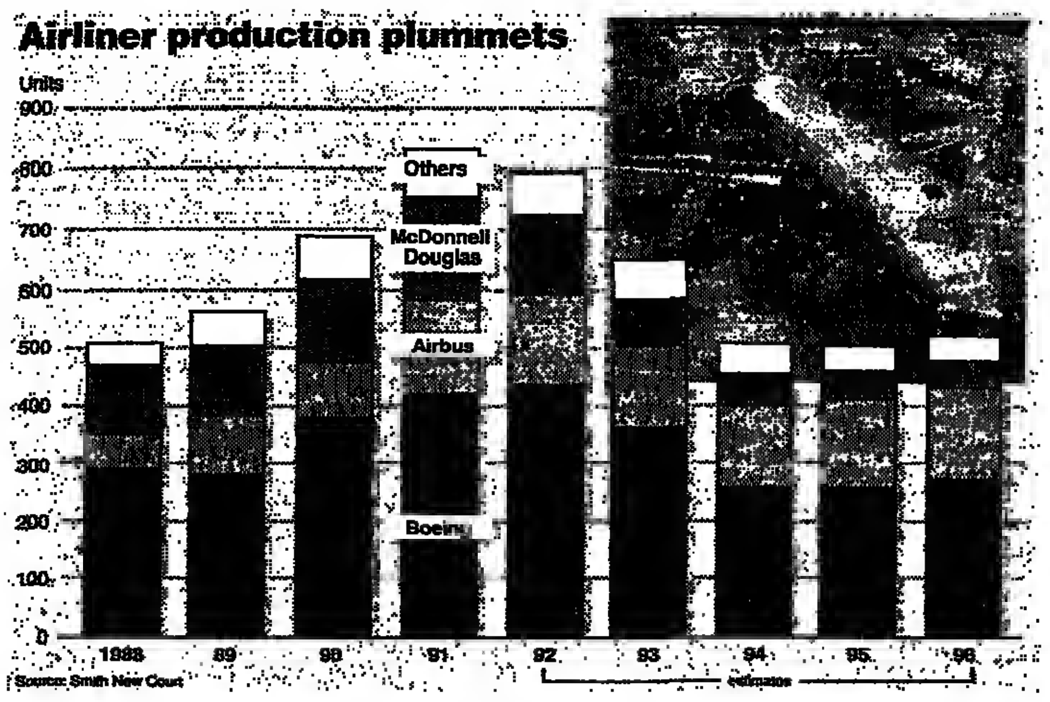
For all the suppliers, the current downturn is helping bring about a shift in the relationship with their customers. "Within the next decade," said Mr Larry Clarkson, Boeing's vice president of planning and international development, "we will probably see a change in both the composition of the airframe manufacturers and the types of relationships they have with suppliers."

The slump has forced aerospace prime contractors to cut back on suppliers. "Until recently, in many cases we had two or more suppliers providing the same component," said Mr Clarkson. "The fact is, dual sourcing is very expensive, and we have had to find ways to be more and more competitive."

Alliances of every sort are proliferating. In France, Aerospatiale and Thomson CSF have merged their avionics operations into a joint venture. And in the UK, where Dowty has been taken over by TI and Lucas is seen as a possible takeover target, Smiths Industries has been discussing collaboration with Rockwell Collins of the US.

There are already only three large airframe makers and three engine makers; in time, there is likely to be room for only three suppliers in each prime component sector.

Airliner production plummets



Chrysler increases earnings to $356m

By Martin Dickson in New York

CHRYSLER, the US motor manufacturer, yesterday underscored the gradual recovery in the North American vehicle market and its own sharply improved performance by announcing fourth-quarter net earnings more than tripled from 1991.

Chrysler, the smallest and most financially vulnerable of Detroit's big three manufacturers, had net earnings of $356m, or $1.12 a share, compared with $97m, or 33 cents a share, in the same period of last year. Sales and revenues totalled $10.2bn, up from $8.2bn.

The figures were slightly ahead of Wall Street expectations, which had been pitched around $1.05 a share. Chrysler had forecast profits of over $300m as part of the regulatory filings for its current offering of 40m shares.

The company's shares rose $¾ in morning trading on the New York Stock Exchange to $39¾, which would allow its share issue to raise $1.57bn gross.

Chrysler is the first of the Detroit companies to report fourth-quarter figures. Ford Motor has already signalled it expects a loss – largely because of problems in Europe – which analysts think may total between $250m and $450m.

General Motors, which is undergoing a drastic restructuring of its loss-making North American operations, could produce figures ranging from a small profit to losses of $300m before special charges.

Chrysler, whose long-term survival was being questioned two years ago, reported 1992 earnings of $723m, or $2.21 a share, compared with a loss of $795m, or $3.28 a share, in 1991. Revenues rose from $29.4bn to $36.9bn.

Its share of the North American car and truck market rose from 12.4 per cent in 1991 to 13.4 per cent, helped by the launch of some important new vehicles.

Mr Robert Eaton, chairman, and Mr Robert Lutz, president, noted that volumes and margins were up for the year and discounts to sell vehicles were lower. However, they said the company had to continue to improve its product launches, cost reduction efforts and quality and productivity gains.

"The economic recovery in the US continues to be slow and neither our balance sheet nor our credit rating are where we want them to be," they added.

Occidental Petroleum to sell off coal business

By Karen Zagor in New York

OCCIDENTAL Petroleum, the Los Angeles-based energy group, yesterday revealed that its coal husiness was up for sale and said the company would take a fourth-quarter, non-cash after-tax charge of $600m to cover the costs of divesting it.

The announcement ended months of speculation about Occidental's plans for its coal operations. Although the company had indicated coal was no longer a core business, it had never said it planned to leave the business entirely.

Moody's Investors Service placed Occidental's long-term deht and commercial paper under review for potential downgrading. It cited concern "for the financial performance of Occidental's core business and its continuing high financial leverage, despite substantial restructuring efforts undertaken by the company since 1991".

Occidental turned in fourth-quarter income from continuing operations of $14m, or 5 cents a share, compared with $7m, or 2 cents, a year earlier.

Including discontinued operations, the company had a net loss of $588m, or $1.94, in the latest quarter against net income of $6m, or 2 cents, in 1991. Sales slipped to $2.3bn in 1992 from $2.5bn in the 1991 quarter.

Mr Ray Irani, chairman and chief executive, said: "Wa have implemented significant new cost savings measures including a salary freeze and substantial reductions in personnel, and we expect these measures to have a positive impact on our results in 1993.

"We have made no secret of the fact that our coal operation is not one of our core husinesses and we are proceeding with its disposal in a prudent and orderly fashion."

The company said it was discussing the sale of its coal business with several interested parties.

For the full year, Occidental had income from cootinuing operations of $126m, against $372m in 1991.

The company posted a net loss of $591m, or $1.97 a share, in 1992 compared with net income of $460m, or $1.52. In 1992, Occidental took net charges of $244m for the adoption of new accounting standards.

The announcement failed to ruffle Wall Street, where shares in Occidental firmed $¼ to $18¾ by midday in New York.

BHF and Crédit Commercial poised to buy Charterhouse

By Robert Peston, Banking Editor

BHF, a German bank, and Crédit Commercial de France, the Freoch bank, are each expected to huy 45 per cent of Charterhouse, the merchant hanking suhsidiary of Royal Bank of Scotland.

RBS is poised in the next few days to snnounce the long-awaited sale of 90 per cent of Charterhouse. In a deal expected to value Charterhouse at around £200m ($304m), RBS is expected to retain a 10 per cent holding.

RBS has heen looking for a huyer for Charterhonse since Jannary last year. Negotiations with the Franch and Germen institutions, which are heing advised hy the UK merchant bank Schroders, have been dragging on for several months, according to a banker with an intimate knowledge of the talks. Talks are now entering their final phase.

RBS, advised hy SG Warburg, has been holding out for an improved price, though bankers are now hopeful that the two sides are not far apart. However one banker added: "Until the deal is signed, something could still go wrong."

If completed, the deal would be the first time that a UK merchant bank had been bought by a Franco-German banking partnership. CCF and BHF, which both have investment hanking operations of their own, aim to build np a pan-European merchant banking husiness with Charterhouse at its centre.

CCF and BHF were found separately hy RBS ss possible hnyers of Charterhouse. However, CCF and BHF alresdy knew eech other well and each holds 1 per ceot of the other's shares.

A price of £200m for Charterhouse is equivalent to a small premium to the net value of Charterhouse's assets. These net assets are shown in its last balance sheet ss being worth £136.6m st September 30, but that figure takes no account of its hidden, undisclosed reserves, which are thought to total around £50m.

Charterhouse has been a successful investment for RBS, which paid £150m for it in Jannary 1985 and has since taken out dividends totalling more than £120m. In the autumn of lest year, it withdrew £61.4m in a cash dividend from the merchant bank, which has earned a return on capital over the past few years between 12 per cent in 1990 and well above 20 per cent.

Asda launches rights issue

By Maggie Urry in London

ASDA, the UK grocery retailer, has launched a £347m ($527m) rights issue only 15 months after it raised £357m through a similar exercise.

The issue, along with Wessex Water's £113m rights on Tuesday, is expected to mark the beginning of a string of deals to raise equity capital in the London market.

Companies are keen to take advantage of a relatively buoyant stock market and to raise money from the City of London before the UK government's demand for funds to finance its budget deficit becomes too onerous.

Mr Archie Norman, chief executive of Asda, said yesterday that the group had been looking to make a rights issue towards the end of this year but decided to come earlier.

He said he warned Morgan Grenfell, Asda's merchant bank, before Christmas that the company might go for an issue early in the new year. Less than three weeks ago he asked the bank and Asda's brokers for a date as soon as possible.

Mr Norman said yesterday: "There are a lot of rights issues in the pipeline. When I met Morgan Grenfell I told them: 'I want to be first'". He said the group had no immediate need for the money but wanted to accelerate the group's recovary programme begun in May.

The issue marks a further step in the transformation of Asda, which 18 months ago had looked to be in severe decline. The board has since been almost completely changed, with Mr Norman arriving in December 1991. The group's shares rose on the news, closing np 3¾p at 67¾p, indicating investor snpport for the issue.

The previous rights issue was priced at 35p but the shares fell after that, reaching a low of 25p in August last year.

Asda also made a profit forecast for the current year, to May 1, of £130m pre-tax and before an exceptional credit of £8.7m and the interest receivable on the rights issue money, estimated at £3.5m. This would be a rise from £86.8m in 1991-92, before exceptional write-offs of £451.6m.

A final dividend of 1.1p is forecast, which would give a total of 1.6p, down from 2.1p the previous year and 4.8p in 1990-91.

The profit forecast exceeded brokers' earlier estimates.

Lex, Page 14

Fiat confirms steep slide as 'critical' year looms

By Haig Simonian in Milan

FIAT, Italy's biggest private-sector company, yesterday confirmed its profits had fallen sharply in 1992 and described the year ahead as remaining "critical".

Mr Giovanni Agnelli, cbairman, said in a letter to shareholders that the group's industrial activities, which account for more than 80 per cent of its sales, bad remained in profit at the operating level. However, margins are believed to have fallen to about 0.2 per cent of sales against 1.1 per cent in 1991.

The group's key car bueiness, hit by rising competition and receseioo, is believed to have made a loss, although oo official figures are available. In a summary of tbe group's problems, Mr Agnelli refered to a cocktail of recession, monetary turmoil, high interest rates and Italy's domestic economic problems.

Group pra-tax profits are likely to fall to around L800bn ($542m) against L1,690bn in 1991. The figure has bean boosted by substantial extraordinary earnings, the biggest of which is a L700bn contribution from tba sale of Fiat's 25 per cent stake in Alcatel Italia, the telecoms group formed largely from its former Telettra subsidiary.

Official profits figures – and news of the dividend – will not be released until May.

The group'e continuing commitment to Investment and researcb and development – which reached e record 14 per cent of sales last year – bas had a heavy impact.

Fiat's net financial position worsened to a deficit of L3,800bn at tbe end of last year, compared with a L270bn deficit at the end of 1991 and L2,510bn at end-June 1992.

Group turnover increased 4.6 per cent to L59,100bn thanks to the first full-year's contribution from the Ford New Holland tractors and heavy trucks business.

On the cars side, sales fell to L26,886bn from L27,506bn, reflecting the 114,700 drop in unit sales and the reduction of margins.

Mr Agnelli confirmed that Fiat's Iveco trucks unit, tractors and earthmoving equipment activities remained under coosiderable pressure last year.

Tractors and earthmoving equipment were reaching break-even point at operating level, he said.

First loss for Cap Gemini Sogeti

By William Dawkins in Paris

CAP GEMINI Sogeti (CGS), Europe's leading compnter services group, yesterday provided further evidence of the recession in the compnter industry by publishing its first annual loss.

The Frencb gronp made a nst loss of FFr80m ($14.8m) last year, against a FFr560m net profit in 1991, nn turnover up 19 per cent over the same period, to FFr12bn.

The sales rise was due to the first-time inclusions of two acquisitions, Volmac and Programmator, the Dutch and Swedish compnter services groups, rather than growth in the market. Pre-tax profits fell to FFr45m from FFr584m, after a FFr338m restructuring charge for betweeo 1,000 and 1,500 job losses.

Earnings suffered from the twin pressures of the economic downturn and the growiog trend for computer manufacturers to diversify into services such as advice on installation, CGS's core business, said Mr Geoff Unwin, one of the group's three presidents.

Many compnter makers had tried to buy market share by cntting fees, but Mr Unwin predicted that they would not be able to hold rates at unprofitable levels indefinitely.

CGS had been ehle to hold its rates in systems integration, where quality was still at a premium, said Mr Unwin. However, demand was weaker for of computer training, one of the first costs thet husinessee have sooght to trim during the downturn.

Another factor in the loss was the npbeaval in CGS's scattered snbsidiaries, where the group is encouraging units in different countries to work together mnre often on transnational projects, a service in increasing demand among its larger customers.

This has meant replecing the former territorial split of responsibilities with an organisation based on a mixture of sector and geographical lines. CGS expects the first fruits of tbe reorganisation to show this year.

Lasmo shares slide on sudden departure of chief executive

By Angus Foster in London

MR CHRIS Greeotree, who built Lasmo into one of the UK's leading independent oil and gas exploration companies and led its 1991 takeover of rival Ultramar, was yesterday repleced as chief executive.

Lasmo's shares fell 8p to 155p on fears the company would take the opportunity of a boardroom change to cut its dividend when it announces results in March. High borrowings, partly due to the Ultramar takeover, and a weak oil price bave dented Lasmo's earnings. A maintained final dividend would almost certainly be uncovered.

Mr Greentree's sudden departure drew parallels with BP, where a boardroom split led to last June's ousting of Mr Bob Horton, chairman, and to BP cutting its dividend. But Lord Rees, Lasmo's chairman, insisted Mr Greentree, 57, was leaving to pursue other interests and tbe parting was friendly.

Mr Joe Darhy, formerly chief operating officer and with the company since 1979, was named Mr Greeotree'e euccessor. Lasmo said Mr Darby would continue with the disposals and the reduction of overbeads following the Ultramar ecquisition.

Analysts expect Lasmo to announce net income of about £29m ($43.5m) for the year to September 30, equal to earnings per share of about 3p. Dividends last year totalled 8.5p, suggesting the final payment would need to be cut to remain covered. Last July, the interim dividend was held at 2.3p.

Lasmo raised $1.53hn through disposals last year, including some of Ultramar's North American and North Sea assets. But according to some estimates, year-end net borrowings were high, at about £1bn, giving gearing of 92 per cent.

Observer, Page 13

'Substantial' fall at Robert Bosch

By Christopher Parkes in Frankfurt

ROBERT BOSCH, Germany's leading vehicle components maker, suffered a "substantial" fall in profits last year, and faces another difficult period in the current financial year, the company said yesterday.

Earnings figures, which are expected to be published in June, will therefore sbow their third consecutive decline. Net profits dropped 10 per cent in 1990 and fell a further 3.5 per cent to DM540m ($339.6m) last year.

Group sales, up just 2.2 per cent to DM34.4hn, compared witb DM33.6bn in 1991, had been hit by the effective revaluation of the D-Mark against other currencies during tbe second half. Adjusted to take account of this factor, turnover rose hy 4 per cent.

Rationalisations, including cuts in material and capital costs, and the reduction of the workforce hy 11,000 to 170,000 worldwide had helped improve productivity, the group added.

Daf secures backing for short-term

By Ronald van de Krol in Eindhoven

DAF, tbe troubled Dutch truckmaker, has secured promises from its creditors that they will seek to arrange short-term financial banking for the company, hut has yet to reach full aod final agreement on long-term restructuring.

Mr Cor Baao, Daf's cbairman, said a "minority of the parties" involved in the search for ways to secure the company's future needed more time to study certain "facets" of Daf's proposed restructuring plan.

He said the additional investigations would be completed as soon as possible, but could not say wben the Daf rescue plan would be unveiled.

Twice this week Daf has called a press conference to announce the plan, only to say that the talks had yet to yield a final result.

Mr Baan declined to name the parties or give details of the plan, other than to say that it would involve a "package of projects" and would represent a "very thorough-going restructuring".

Some of Daf's banks are thought to want a closer analysis of the restructuring plan before committing more long-term funds. Separately, the economic affairs ministry said in The Hagua that the analysis requested by the banks could take weeks.

Unions are braced for heavy job losses in the Netherlands and also in Belgium and the UK, where the truckmaker has large industrial operations.

Tbe company has posted losses for the past three years

IRI dismisses board of Iritecna subsidiary

IRI, the Italian state holding company, yesterday dismissed the board of Iritecna, its loss-making civil engineering subsidiary and Europe's eecood-lergest general contracting group, writes Robert Graham in Rome.

The new board is to be headed by Mr Franco Bonelli, a commercial lew expert and former visiting professor at Stanford. The chief executivs will be Mr Roberto Gianini, an MIT-educated engineer MIT with extensive experience in both the state and private sectors, including working with Shell and Olivetti.

Last week, IRI took similar action with Ilva, its troubled steel group.

This latest move underlines the determination of Mr Michele Tedeschi, IRI's chief executive, to take radical steps to reduce mounting losses against the background of the government's privatisation plans.

The board shake-up has also highligbted the problems faced by IRI when, a year ago, Iritecna become tbe vehicle for merging IRI's civil engineering, construction and industrial plant enterprises, held by Italstat aod Italimpianti. Final 1992 figures have yet to be announced, but losses are understood to be around L1,500bn ($1.01bn) on turnover of L6,000bn.

COMPANY NEWS IN BRIEF

Alcatel chief predicts flat earnings for year

MR PIERRE Suard, chairman of Alcatel Alsthom, the French telecommunications and engineering group, yesterday estimated tbat last year's net profit rose by between 12 per cent and 15 per cent, but that earnings would probably be flat this year, writes William Dawkins in Paris.

This indicates that profits rose to at least FFr7hn ($1.29bn) in 1992 from FFr6.2bn in 1991. It also appears to back up recent warnings from analysts that profit margins in the telecommunications equipment market, from which Alcatel Alsthom derives more than half its profits, could shrink in the next few years.

Mr Suard told the French business newspaper Les Echos that he did not expect to make any big acquisitions this year. He was, however, interested in investing in the newspaper and magazine industry, though this would continue to form a small part of Alcatel Alsthom's business.

Alleanza enters Ambroveneto pact

ALLEANZA, the Italian life insurer controlled by Generali, has entered the shareholders' pact running Banco Ambrosiano Veneto (Ambroveneto), Italy's biggest private-sector bank, witb a 11.15 per cent stake, writes Haig Simonian in Milan.

Alleanza has bought 5 per ceot from Gemina, the Fiat-controlled investment group which last month announced the sale of its holding of more than 13 per cent in the bank. Alleanza, which already has a small holding in the bank, is also buying 5.25 per cent of Ambroveneto currently owned by Generali.

The acquisitions will put Alleanza, which has simultaneously signed a deal to sell insurance products through Ambroveneto branches, almost on a par with tbe four other members of Ambroveneto's shareholders' pact.

Three of the four – Credit Agricole of France, Crediop, the Italian long-term lending bank and a consortium dominated by Brescia-based banking banking interests – ere expected to abeorh Gemina's remaining 8.1 per cent stake in Ambroveneto by raising their own holdings by 2.7 per cent each.

Adia plans rights SFr250m issue

ADIA, the Swiss-based international employment services group, will have to dig deeply into shareholders' capital to finance an estimated 1992 loss of SFr203m ($139m) and intends to raise new capital through a rights issus, writes Frances Williams in Geneva.

The group made sharply-reduced profits of SFr25m in 1991 on a turnover of SFr3.2bn.

The company will propose a capital increase "of at least SFr250m" through a rights issue. Most of this will come from the conversion into equity of a SFr200m loan made to Adia last year by its majority shareholders, Mr Klaus Jacobs, the Swiss industrialist, and Asko Deutsche Kaufhaus, the German retailing group.

Telefonica up 3.8% to Pta83.8bn

TELEFONICA, Spain's government-controlled telecommunications group, raised its net profits by 3.8 per cent last year to Pta83.8bn ($754m), according to provisional results, writes Tom Burns in Madrid.

The group said it was repeating an interim dividend of Pta25 per share indicating that last year's payout of Pta87.2 per share will remain unchanged deepite the profit increase.

Cash-flow rose by 16.4 per cent to Pta468bn, due in part to a Pta384.1 allocation for depreciation which was 31 per cent up on 1991. The operating margin improved by 15.6 per cent to Pta689bn.

Altus expected to bid for Hafnia

ALTUS Finance, one of the investment companies of Crédit Lyonnais, tbe French bank, is expected to make an offer for Hafnia, the troubled Danish ineurance group that suspended payments to its creditors last year, write Our Financial Staff.

Hafnia yesterday extended the deadline for bids to February 19, to give potential buyers more time to examine the group's business.

A number of other groups – Almindelige Brand, Kgl. Brand, and Codan, of Denmark and Skandia of Sweden – have heve also shown varying degrees of interest in Hafnia.

Sun Alliance, the UK's largest general insurer, owns a majority of Codan.

Hafnia, one of Denmark's two largest insurance companies, was pusbed into difficulties after sustaining heavy losses on its investments in rival Scandinavian companies, Skandia of Sweden and Baltica of Denmark. Hafnia owns 33.5 per cent of Baltica and 14.8 per cent of Skandia.

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AT&T up 15% to $3.2bn on strong growth in sales

By Martin Dickson in New York

AT&T, the US communications and computer group, yesterday reported a 15 per cent increase in underlying net income for 1992, helped by strong fourth-quarter growth in product sales and financial services.

The company reported fourth-quarter net income of $1bn, or 75 cents a share, on revenues of $17.5bn, compared with net income of $635m, or 48 cents, in the same period of last year, on revenues of $16.46bn.

However, earnings in the 1991 quarter were cut by 14 cents a share because of a reduction in the book value of an Italian investment, against a 3 cents-a-share cut in the latest quarter.

The figures were in line with Wall Street expectations, which were pitched around earnings of 78 cents a share.

For 1992, net income totalled $3.81bn, or $2.86 a share, on revenues of $64.9bn. That compared with 1991 earnings of $522m, or 40 cents. However, excluding charges and one-time gains, the underlying 1991 figures were $3.24bn, or $2.51, on revenues of $63.09bn.

AT&T's largest business, telecommunications services, saw long-distance call volumes rise some 5 per cent in the quarter, but revenues were down to $9.72bn from $9.79bn. The company said this was due mainly to business customers choosing lower-priced, higher-capacity dedicated lines, as well as adjustments to revenue estimates for previous periods.

On Wednesday, MCI, the second-largest long-distance carrier in the US, reported a 14 per cent increase in fourth-quarter traffic and a 13 per cent revenue increase.

AT&T's products businesses saw a 20 per cent rise in fourth-quarter revenues, from $4.4bn to $5.3bn, led by network switching equipment. Consumer products reported record quarterly sales.

NCR, the computer company AT&T acquired in 1991, produced operating income of $94m ($76m), on sales of $2.15bn, up from $2bn. The latest figures included results from Teradata, which AT&T acquired early in 1992.

The company said NCR continued to report strong orders in the US and Latin America, but other parts of the world remained weak.

Financial services revenues rose from $420m a year ago to $577m, thanks to the group's Universal credit card and AT&T Capital Corp.

Dow Jones rises 6% in fourth quarter

By Karen Zagor in New York

DOW JONES, publisher of the Wall Street Journal, posted a 6 per cent rise in underlying fourth-quarter earnings to $37.8m from $35.5m.

Earnings were distorted by charges of $8m in the quarter which brought reported net income to $29.8m, or 30 cents a share. A year earlier, net income stood at $3.5m, or 3 cents, including one-time charges of $32m.

Revenues rose 4 per cent to $476.1m from $456.1m.

For the whole of 1992, Dow Jones recorded net earnings of $107.6m, or $1.06 a share, compared with $72.2m, or 71 cents, in 1991. Revenues advanced 5.4 per cent to $1.82bn from $1.73bn.

Results included charges of $16.8m in 1992 for the adoption of new accounting standards and write-downs. The company had charges of $32m in 1991.

Dow Jones had forecast 1992 earnings between $1.03 and $1.07 a share after charges of $25m.

● Gannett, US publisher of 82 daily newspapers including USA Today, turned in fourth-quarter net income of $114.2m, or 79 cents, on revenues of $935.1m. This compares with earnings of $97m, or 68 cents, on revenues of $901.2m a year earlier.

For the full year, Gannett had net income of $199.7m, or $1.39, including charges of $146m for the adoption of new accounting standards.

In 1991, Gannett earned $301.6m, or $2. Revenues rose to $3.47bn in 1992 from $3.38bn.

UAL after-tax losses rise to $370m at year-end

By Nikki Tait in New York

UAL, the parent company of United Airlines, yesterday reported an after-tax loss of $223.9m in the fourth quarter of 1992.

This large deficit in the final three months takes UAL's loss for the year to $370m, before including charges for accounting-related changes.

The fourth-quarter figure, scored on operating revenues of $3.2bn, against $2.91bn, comes after pre-tax charges and expenses of $62m. Excluding these items, UAL said the loss would have stood at $184m.

The full-year loss, meanwhile, widened to $956.8m after taking in charges related to the change in accounting methods for non-pension retirement benefits.

In 1991, the after-tax deficit was $331.9m. Full-year revenues stood at $12.9bn in 1992, compared with $11.7bn in the previous 12 months.

In terms of operating results, UAL saw minimal improvement in final-quarter results – with the operating loss standing at $326m, compared with $347.2m in the same period of 1991.

For the year overall, the operating loss widened from $494.1m to $537.8m.

UAL's poor fourth-quarter figures were echoed at Delta Air Lines.

Delta posted a net loss of $126.3m in the second quarter of its financial year, with a $187.6m deficit in the same period of 1991. Revenues were $2.87bn, compared with $2.63bn.

The operating loss for the period was $194.9m, against $236.8m in the same period of 1991.

In the first six months of its current financial year, Delta now shows an after-tax loss of $233m, compared with a $174.5m deficit at the same stage a year ago. Six-month revenues stand at $5.94bn, against $5.2bn.

Microsoft to cut some European prices

By Louise Kehoe in San Francisco

MICROSOFT, the leading personal computer software company, will make its European pricing more consistent by lowering the prices of some of its PC applications programs in certain countries.

The price changes "will have no material effect on overall sales revenues," said Mr Bernard Vergnes, president of Microsoft Europe. However, prices will fall by 10 to 21 per cent in France, Germany and the Benelux region.

Microsoft also announced a distribution and software licensing programme aimed at boosting its sales to large multinational companies and organisations.

"The large account reseller network is an instrumental building block in Microsoft's long-term plan to make it easier for large organisations to do business with us," said Mr Jeff Raikes, senior vice-president.

Microsoft is setting the stage for an ambitious effort to move beyond its stronghold in the PC software market. Later this year it is expected to introduce a new program, Windows NT, that will control the functions of entire networks of computers.

Separately, Stac Electronics, a California software company, said that it had filed a patent infringement suit against Microsoft.

● Sun Microsystems, the US computer workstation manufacturer, reported a steep decline in second quarter earnings as shortages of a new microprocessor chip limited sales of the highest performance version of its new product line.

Net income for the quarter was $34.3m, or 33 cents a share, down 28 per cent from $47.4m, or 47 cents, in the same period last year. Revenues rose to $1.05bn from $909m.

Sun said the chip supply problem had eased, enabling it to ship the new high-performance workstation in greater volume.

Dow Chemical deeper in the red

By Alan Friedman in New York

DOW CHEMICAL, the second-biggest US chemicals group, yesterday reported a loss of $250m, or 92 cents a share, in the fourth quarter of 1992, compared with a loss of $94m in the corresponding period of 1991.

The deficit, which was expected, occurred because of a $433m charge for plant shutdowns and staff reductions.

Mr Frank Popoff, chairman, described the company's results as "disappointing", although he stressed that progress had been made in restoring US margins.

The US improvement, however, was more than offset by deteriorating business conditions in Europe, a problem faced by several big US chemicals groups.

Revenues in the fourth quarter of last year were $4.72bn, up slightly from $4.56bn last time.

Revenues for the whole of 1992 were $18.97bn, against $18.81bn in 1991.

Dow said its operating income declined by 23 per cent in 1992 to $1.3bn, mainly because of a drop in prices.

For the year to end-December 1992, Dow suffered a net loss of $496m, or $1.83, against a net profit of $935m in 1991.

The loss, however, was due to a $765m non-cash charge related to changes in accountancy standards.

The chemicals and performance products division had $279m of operating income in 1992, unchanged on 1991, including the impact of special charges. Plastics saw an 80 per cent decline in 1992 operating income, but the figure was not disclosed. The energy business suffered a $179m loss in 1992, compared with a loss of $230m in 1991.

The consumer specialties business had 13 per cent better operating income of $1.1bn, representing 54 per cent of the entire group's 1992 operating profit.

Dow's share price was $⅝ lower at $53 before the close.

Capital Cities/ABC up 34%

By Alan Friedman

CAPITAL CITIES/ABC, the US television and newspapers group, yesterday turned in a fourth-quarter 1992 net profit of $137.9m, or $8.38 a share, an improvement of 34 per cent year-on-year.

The results, which included a moderate rise in revenues at the ABC Television network, were struck on total revenues of $1.64bn, some 5 per cent better than in the same quarter of 1991.

For the year to end-December 1992, Capital Cities/ABC earned $389.3m before taking special charges for changes in accounting standards, up from $374.7m before charges in 1991. After an accountancy-related provision of $143.2m, the group's net income for 1992 fell to $246.1m, against a net of $343.5m the previous year.

Operating income for the year was $721.8m, down from $761m in 1991.

Revenues for 1992 were $5.34bn, down slightly from $5.38bn in 1991. Net revenues for ABC Television were slightly lower, primarily because of the absence of 1991 added revenues from special-event sports programming.

Although the group does not state operating profits for ABC Television, it is understood these came to just below $100m for 1992, against an estimated $135m the previous year.

The decline is believed to be related to a series of internally recorded, special charges caused by buy-outs being offered to some executives and other cost-cutting measures.

Ms Jessica Reif, a media analyst at Oppenheimer, the New York investment bank, said group earnings were pretty much on target.

On Wall Street, the Capital Cities/ABC share price before the close was $2⅜ higher at $481.

Wang recovers to a modest $400,000

By Louise Kehoe

WANG Laboratories, the US computer systems company struggling to emerge from bankruptcy protection, yesterday reported a small net profit for its second fiscal quarter.

The net profit of $400,000 included a $19.4m gain from foreign exchange adjustments, balancing a currency exchange loss of $19.5m in the first quarter. Second-quarter losses last time were $6.8m.

The operating loss for the quarter was $6m, which compares with an operating profit of $7.8m last year. Revenues for the quarter were $351.2m, down from $500.7m last time.

The second-quarter results reflect the impact of cost reductions and restructuring efforts, Wang said. Profit margins were, however, reduced by worldwide pricing pressures and a continuing shift in customer demand towards lower-priced products, it added.

For the half-year, it reported a net loss of $66.2m, or 39 cents, compared with a net loss of $16.6m, or 10 cents. Six-month revenues totalled $711.2m, against $961.8m.

"The company continues to expect a successful and timely emergence from its Chapter 11 (bankruptcy) proceedings.

"As it finalises its plan of reorganisation, the company is accelerating efforts to build a smaller and more focused organisational structure that can achieve sustainable profitability."

Wang recently announced that it would eventually eliminate manufacturing operations.

BCE profits record for Canada

By Robert Gibbens in Montreal

BCE, Canada's biggest telecommunications group and parent of Northern Telecom, posted record profit of C$1.4bn (US$1.09bn), or C$1.21 a share, for 1992, in spite of the recession and rising long-distance competition.

The profit is the highest posted by a Canadian company. Last year, BCE acquired 20 per cent of the UK's Mercury Communications for nearly C$1bn.

Mr Raymond Cyr, 59, who since 1987 has led BCE back to its core telecom businesses after several years of disastrous diversification into property, energy and financial services, retires on April 1 and will be succeeded by former banker Mr Lynton Wilson, president for two years.

Mr Cyr will remain a director and adviser to Mr Wilson as well as non-executive chairman of Bell Canada, the telephone utility, and several other BCE subsidiaries.

BCE's net profit for the year to December 1992 was C$1.285bn, or C$4.21 per share, up 5 per cent from C$1.235bn, or C$4.01, in 1991. Revenues rose 4.5 per cent to C$20.8bn, a new peak. Fourth-quarter profit was C$505m, or C$1.65 a share, up from C$346m, or C$1.11, a year earlier on revenues of C$5.5bn, against C$4.9bn. The 1992 period included a C$95m gain on the sale of TransCanada Pipelines shares.

Bell Canada provided the bulk of BCE's profits. Its 1992 performance improved with sharp gains in efficiency. Its contribution equalled C$3.03 per BCE share against C$2.97 in 1991. Operating revenues rose 1.7 per cent.

Northern Telecom contributed C$1.11 per BCE share in 1992, up from 97 cents in 1991, with a strong fourth quarter.

But Montreal Trustco had a 31 cents-a-share negative impact, against a contribution of 7 cents per BCE share in 1991. Property loans were written down sharply.

McDonald's earnings at $228m peak

By Laurie Morse in Chicago

McDONALD'S Corporation, the world's largest hamburger chain, reported record earnings for both the year and fourth quarter, and modest gains in sales, particularly overseas.

For the quarter, net income was $227.9m, or 61 cents a share, up 14 per cent from $200.4m, or 54 cents, a year earlier. Sales rose 10 per cent to $5.7bn from $5.2bn a year ago. Revenues, which due to franchising agreements are below sales, were $1.8bn, up 6 per cent from $1.6bn a year ago.

For the year, McDonald's earned $958.6m, or $2.60 per share, up 12 per cent from $859.6m, or $2.35 cents, a year ago. Sales for the period were $21.9bn, compared with $19.9bn, and revenues were $7.1bn, up 7 per cent from $6.7bn.

US sales grew 6 per cent in the year and 9 per cent in the quarter, while overseas sales gains were stronger. Overseas sales were up 17 per cent for the year and 13 per cent for the quarter.

At December 31, 39 per cent of McDonald's sales, 44 per cent of its operating income, and 32 per cent of its restaurants came from outside the US.

McDonald's said improvements in the US were largely dne to cnts in operating and development costs, and its value pricing programme. Overseas, expansion and improved operating margins bolstered profits.

Procter & Gamble up at $590m

By Nikki Tait

PROCTER & Gamble, the Cincinnati-based consnmer prodncts company, yesterday reported after-tax profits of $590m in the three mouths to end-December, np from $523m in the same of period of 1991. Sales rose by 4.4 per cent to $7.84bn.

P&G suggested that gains had been made on both the international and domestic sides of the bnsineas. "Improved margins, unit volume growth and a lower effective tax rate were the major factors contribnting to the growth in earninga," it said.

For the first aix months of the financial year, after-tax profits stood at $1.02bn, compared witb $1.06bn in the same period of 1991, ou sales of $15.7bn, against $14.7bn.

The 1992-3 figure, however, was strnck after taking a $200m reserve related to the September disposal of P&G's fruit juice business.

● Warner-Lambert, the US healthcare group, has formed a research based alliance with Jonveinal, a French pharmacentical company, giving Warner Lambert a 34 per cent interest, Reuter reports.

Warner will have first refusal to Jouveinal's developed componnds nntside of France, its oversees departments and territories, French speaking Africa and Canada.

Changes in accounting cloud Coca-Cola figures

By Nikki Tait

COCA-COLA, the Atlanta-based soft drinks company, yesterday reported a 9.5 per cent advance in its fourth-quarter profits after-tax, to $392.6m, on sales 12.7 per cent higher at $3.24bn.

The group's full-year figures are muddied by the effects of tba cbange in accounting methods for non-pensiou retirement benefits.

However, before this Item, net profits showed a 17.8 per cent improvement, at $1.91bn; after tba accounting-related charge, the advance is reduced to 2.9 per cent, leaving net profits at $1.66bn. Sales for the full-year were 13 per cent higher at $13.1bn.

Coca-Cola said tbat tbe fourth-quarter volume growth, whicb had built progressively tbrougbout tbe final tbree months, helped the final quarter's figures.

"It augers well for 1993 that we ended 1992 witb sucb momentum," Mr Roberto Goizueta, chairman, said.

Coca-Cola said that operating profits from its soft drinks operations within the US advanced by 9 per cent last year. Unit case volume sold to retail bottle/can and fountain customers grew by 2 per cent, and gallon shipments of concentrates and syrups advanced by a similar amount.

Ou tbe international slde, soft drink operating profit grew 18 per cent, unit case volume sold to retail customers by 4 per cent, and gallon ahipments of concentrates and syrups by 3 per cent.

National Bank acquires trust

By Robert Gibbens

NATIONAL Bank of Canada is buying Gentrust, the trust company and money management operations of General Trustco, a Quebec financial services group, for C$125m ($97.6m).

The deal gives National Bank a quick entry into the trust business, including a network of 32 branches. Gentrust, has corporate assets of C$3.5bn and manages C$11bn in pension and other investments.

General Trustco of Canada is majority-held by Industrial Life Groupof Quebec City.

Canadian chartered banks, under federal deregulation, can now own trust companies. The Big Six banks are all moving into the trust business by acquisition or by setting up new subsidiaries. NBC is the sixtb-largest chartered bank with C$40bn assets.

NBC also plans to sell its leasing business with nearly C$1bn assets, to GE Capital, North America's biggest leasing group, and will show a C$25m gain on the deal.

Ex-GM chief to leave board

MR Rogar Smitb, tbe controversial former chairman of General Motors, is to resign from the board of the ailing car company in April after 19 years as a director, writes Martin Dickson.

Mr Smith, who retired as GM's chairman in 1990, is rumoured to have been under pressure from fellow directors to step down since many of GM's cnrrent finaneial problems originated during his chairmanship.

Newmont Mining weaker

NEWMONT Mining, a leading gold-producer based in Denver, Colorado, said lower gold prices weakened its fourth-quarter results, but it still showed a profit, writes Laurie Morse.

Newmont reported fourth-quarter earnings of $3.9m, or 3 cents a share, down from $22.7m, or 33 cents, in the corresponding period a year ago. Consolidated fourth-quarter sales were $140.9m, compared with $155.9m in 1991.

For tba year, Newmont reported earnings, before a special accounting charge, of $90.6m, or $1.30, down from $94.3m, or $1.39, in 1991. The company said tha earnings decline was directly related to a $12-per-ounce fall in the average price it received for gold in 1992.

Newmont had consolidated annnal sales of $613.2m, down from $622.8m in 1991.

Ercros to dispose of mining unit for Pta6bn

By Tom Burns in Madrid

ERCROS, the chemical gronp in receivership which is 36 per cent owned by Grupo Torras, the Spanish investment arm of the Kuwait Investment Office, is to sell its Rio Tinto Minera mining unit to Freeport McMoRan, the US minerals group, for Pta6bn ($54m).

Mr Mahmoud al-Nouri, Torras chairman, said Torras had written off the $800m it had invesled to acquire Ercros in the late 1980's and the KIO did not consider itself be "involved" in the chemical group.

Meanwhila, the dabt-burdened Torraspapel which is Spain's leading paper producer and is fully-owned by Torras began a series of negotiations with 22 creditor banks aimed at injecting short-term funding into the company.

The banks have recently reduced discount lines totalling Pta19bn to Pta5bn.

Mr Al-Nouri warned that the banks risked endangering their loans if the negotiations failed. "They should maintain their credit linee and increase them."

Torras is to loao Pta2bn-worth of KIO funds to Torraspapel, and ICO, Spain's state credit agency, has provided medium and long-term credit lines worth Pta15bn following the presentation of cost-cutting measures by the company. These will reduce its labour force of 8,900 by more than 25 per cent.

Mr al-Nouri said that Torras intended to sell the paper group once it was a viable business.

In another development involving KIO, a boardroom clash looked likely last night at Ebro, Spain's biggest food group, over Torras' plans to sell the 36 per cent stake that it owns in the company.

This disposal is contested by Mr Javier de la Rosa who was owns 12 per cent of the food producer and who resigned as Torras' deputy chairman shortly before Mr al-Nouri was appolnted chairman of the holding company in May last year.

Campbell Soup extends hostile bid for Arnotts

By Kevin Brown in Sydney

CAMPBELL Soup, the US food group, yesterday extended its hostile bid for Arnotts, the Australian hiscuit maker, after failing to reach its target of 50.1 per cent of the shares.

Campbell said holders of more than 14 per cent of Arnotts' stock had accepted its A$9.50-a-share offer, taking the group's shareholding to just over 47 per cent.

Campbell said the bid would remain open until February 5 to allow shareholders who have not accepted the offer to reassess their position. The bid valuas Arnotts at A$1.3bn (US$928m).

"This is our last and final extension and we are confident of continuing eupport from shareholders," said Mr David Johnson, Campbell's Australian-born chief executive.

Mr Bill Purdy, Arnotts chairman, claimed thet some shareholders had been misled by Campbell's earlier statements that the offer would not be extended.

He said the group was considering asking the Australian Securities Commission, the corporate regulator, to force Campbell to allow shareholders to withdraw acceptances.

"We have already been contacted by shareholders who claim that they were misled and wish to withdraw their acceptances," he said.

Arnotts said it had been assured by most members of the founding families, which owned some 26 per cent of the company when the bid was launched, that they would refuse to sell.

Most financial institutions rejected the bid yesterday, including the AMP Society, Australia's largest stock market investor, National Mutual Life and Legal & General of the UK.

Campbell's increased shareholding will entitle the group to lift its representation on the Arnotts' board from two to three. However, a 1985 shareholding agreement between the companies means Campbell must acquire more than 85.1 per cent of Arnotts' shares before it can control the board.

Romanian carrier may opt for privatisation

By Virginia Marsh in Bucharest

TAROM, Romania'a state-owned airline, has become the latest east European carrier to opt for privatisation. It has appointed a team led by Samuel Montagu, the UK merchant bank, to draw up a feasibility study.

Tarom is the largest company to be considered for privatisation so far under Romania's pilot privatisation scheme, launched last year. It joins a long list of east European airlines who have sought to modernise their operations through privatisation.

A consortium led by Air France recently took a 40 per cent stake in CSA, the former Czechoslovak airline. It was followed by Alitalia, which bought a 35 per cent stake in Malev, the Hungarian airline.

Tarom, which recently took delivery of two Airbus A310 aircraft, said it hopes to find a foreign partner to help finance the modernisation of its fleet but indicated the state was likely to retain a significant minority stake.

Tarom has secured financing for five Boeing 737-300s due to be delivered by August and hopes to buy eight more by the end of 1994. It operates a fleet of 54 aircraft, nearly two-thirds of which are Russian-made.

Tarom flies to 40 international locations and expects to make a profit of $4.3m for 1992. It registered a turnover of $47m over the first nine months of the year.

KHD plans rights issue to pay for restructuring

By Quentin Peel in Cologne

KLOCKNER-Humboldt-Deutz, the German diesel engine and industrial plant manufacturer, yesterday announced plans for a substantial capital increase through a one-for-two rights issue.

The company plans to raise its capital to DM477m ($318m), an increase of DM159m, with the sale of an additional 3.18m shares.

The issue price will only be fixed on March 1.

The issue will be underwritten by a banking consortium, headed by Deutsche Bank, which is a 41 per cent shareholder.

Mr Werner Kirchgässer, the chief executive, said the capital issue had long been planned to underpin the drastic restructuring programme under way at KHD, including a new DM600m diesel engine plant in the Porz district of Cologne.

Although the company has not paid a dividend since 1986, he forecast a good take-up of the shares, which would be competitively priced.

He dismissed market speculation that a recent boost in the company's share price was the result of an unidentified potential takeover.

The company would expect any such huyer first to make an approach for a friendly takeover, he said, and no such approach had been received. The capital issue would make any such move in the future more difficult.

Mr Kirchgässer said that the company's operating profit for 1992 would be "clearly positive" on the basis of a 10 per cent drop in turnover on 1991. The KHD group had managed to hold its own during the past year, against the background of a depressed world economy: orders were slightly np at DM3.7bn.

The best performance in the gronp came from the industrial plant division, including cement plants, raw material processing plants, and sewage treatment plants: turnover was np 10 per cent, and ordars up 32 per cent on 1991.

Steel groups hit by fall in demand

By Ariane Genillard in Mulheim and William Dawkins in Paris

TWO hig European steel groups – Thyssen and Usinor Sacilor – made results announcements yesterdsy which underlined the weakness of demand within the industry.

Thyssen, a Garman industrial and trading group as well as a significant steel producer, reported a 14 per ceot fall in sales for the first quarter of this year, as it steel divisions auffered dramatic losses caused hy falling demand and low prices.

Incoming orders for the first quarter fell hy 12 per cent to DM8.2bo ($5.4hn).

Mr Heinz Kriwet, president, blamed the setback on the continued decline in the steel side which reported a 16 per cent fall in turnover for the quarter.

Mr Ekkehard Schulz, president of Thyssen Stahl, said be did not expect results in the steel divisions to improve significantly in the second quarter of the year.

Thyssen Stahl recently lost a contract with Opel, the German subsidiary of General Motors, for 30,000 tonnes of steel products to a consortium of steel prodncers including Klöckner, the west German producer, Ecostahl of east Germany, Arbet of Luxembourg and Cockerill of Belgium.

For the year ended September 1992, net profits for the Thyssen group tumbled to DM350m from DM520m a year earlier. Sales for the period were 2 per cent lower at DM35.7bn.

The steel divisions lost money last year, but the gronp's other two main business showed improvemeots.

Francis Mer: losses fell to FFr2.4bn last year

Sales for Thyssen Industrie, Budd, the US subsidiary, and Wulfrather Gruppe climbed by 6 per cent to DM12hn for the year.

Losses at Usinor Sacilor, the French state-owned steelmaker, last year fell to FFr2.4bn ($452m) from FFr3bn in 1991, the group estimated yesterday.

The loss, which came on a 10.8 per cent decline in sales to FFr86.7bn reflects a continuing decline in steel demand and prices, said Mr Francis Mer, the chairman.

Usinor Sacilor had trimmed output to adjust the fall in demand, hut did not expect its result to improve in the first half of this year.

However, it did expect to feel the benefits of price rises for flat steel products from the second quarter of 1993, said Mr Mer.

The group reduced its workforce by just over 7,000 last year to 90,800.

Of this, 4,400 were joh losses in France, among the biggest workforce reductions in the French puhlic sector and a serioue worry to the government.

Air France plans tour unit merger

By Alice Rawsthorn in Parie

AIR France, the state-controlled French airline, plans to join forces in the tour operation business with Havas, the French media and leisure group, and TUI, the German travel company.

The merged company, called Jet Tours, will be one of the lsrgest tour operators in Europe.

It will combine SOTAIR, the tonr operator currently controlled by Air France with Havas ss a minority ehareholder, with SFTA, a joint venture between Havas and TUI.

Once the merger, still subject to approval by the three companies' administrative boards and workers' committees, is completed Jet Tours will have an annual turnover of FFr3bn ($566m) and 700,000 clieots. Air France will be the majority shareholder, leaving Havas and TUI each with 20 per cent.

Mr Bernard Attali, chairman of Air France, said the new company would have sufficient critical mass to "be able to fight more effectively against the big European tour gronps".

Air France, and the two other shareholders, hope to cut administrative costs after the merger and also to use Jet Tours' size to sacure better terms from suppliars.

SOTAIR, France's third-largeet tour operator, specialiaes In long-haul destinations, and SFTA, numher five in the French market, in medium-haul tours. They already co-operate in certain areas, notably in Atoll, the reservation service that they own jointly.

The merger comes at a time when European tour operators are under intense pressure because of the impact of the economic slowdown and exchange rate fluctuations on the holiday industry.

Vernes pulls out of talks with Nestlé

By Alice Rawsthorn

MR JEAN-MARC Vernes, the French financier, yesterday announced he had withdrawn from negotiations with Nestlé, the Swiss food group, to buy part of the Vichy mineral water business.

Nestlé was last summer instructed by the European Commission to sell a number of the mineral water hrands, including Vichy and Saint Yorre, that it had acquired in its bruising bid battle for Perrier, one of France's best-known water companies.

Mr Vernes, chairman of the Vernes bank and the SCI investment concern, had been discussing the possible purchase of some of the hrands under the Vichy umbrella, together with Mr Raul Gardini, the Italian businessman who is involved with SCI.

However Mr Vernes said in an interview with La Tribune Desfossés, the Freoch financial newspaper, that be had halted the negotiations.

He also indicated that he might be interested in investing in some of the state-controlled companies which may be privatised after the March legislative elections.

Nestlé said yesterday it was continuing discussions with other parties over the sale of Vichy and Saint Yorre, although it stressed the talks were still at a preliminary stage.

Rhône-Poulenc division lifts profits to $428m

By William Dawkins

RHONE-Poulenc Rorer, the separately stock market listed pharmaceuticals division of Rhône-Poulenc, the French chemicals group, yesterday reported a 31 per cent increase in net profits for last year.

The Franco-American group made $428m last year on sales of $4.1bn, up from net profits of $326m on sales of $3.8bn. Sales rose by an underlying 8.4 per cent, stripping out currency changes and asset sales, while earnings per share rose from $2.3 to $3.1.

Mr Robert Cawthorn, group chairman, said earnings growth was faster than the pharmaceuticals industry average.

Rhône-Poulenc Rorer had also increased spending on research and development.

Operating profits increased from $558m to $675m, while capital gains from asset sales fell to $23m from $95m.

● CAISSE Nationale de Crédit Agricole has increased its stake in Banco Ambrosiana Veneto to 15.76 per cent, buying a 2.72 per cent stake from Gemina for FFr320m. Renter reports from Paris.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Gilts rise steeply on hopes of further base rate cuts

By Antonia Sharpe in London and Patrick Harverson in New York

UK GOVERNMENT bond prices rose by as much as a point on hopes that interest rates would be cut again soon and by the market's perception that the Bank of England would not issue more paper until the latter part of March.

The market's strength enabled the Bank to sell a large part of the £550m of stock that it announced on Tuesday. Both the £100m of 2.5 per cent index-linked stock due 2001 and the £300m 8 per ceot gilt due 2003 have been exhausted, and dealers expect the £150m of 2.5 per cent index-linked gilts due 2009 to be sold in the oext few days.

GOVERNMENT BONDS

The Liffe March gilt futures contract, which opened at 101.00, rose to 102.00 as the contract broke through a chart resistance point.

It ended at 101.31 in volume of 47,737 lots.

■ GERMAN government bond prices rose in the afternoon as the slide in the Irish punt raised hopes that the Bundesbank would have to cut interest rates in order to stabilise the ERM.

The market's strength, in spite of poor inflation data from the state of Hesse, surprised many dealers who were forced to cover their short positions.

The Liffe March bund futures contract rose to 92.91, up 11 basis points in volume of 46,967 lots.

■ THE yield on 10-year Dutch government bonds fell below those on German 10-year bunds by as much as four basis points during the day as good economic fundamentals encouraged demand for Dutch paper.

However, some dealers reported switching from Dutch into German paper on hopes of a cut in German interest rates.

The new 7 per cent 2003 bond closed at 99.51 up from 99.43 to yield 7.07 per cent.

■ IRISH government bond prices were volatile as the high cost of funding short-term trading positions following the rise in the overnight lending rate to 100 per cent made it difficult to get firm prices from dealers. "The market is very sensitive at the moment," one dealer said.

The benchmark 9¾ Capital stock due 2003 was quoted half a point down at 97.00.

■ ECU-denominated government bond prices were depressed by the renewed tension within the ERM, in spite of the success of the French treasury's auction of Ecu680m worth of 10-year OATs earlier in the day.

This marked the first sovereign issue in Ecus since Denmark rejected the Maastricht treaty last June. The yield on the new 10-year OAT rose to 8.22 per cent from its average yield at auction of 8.19 per cent.

■ TRADING in the new French futures contract based on long-dated government bonds was interrupted after only 90 minutes business. The last trade in the French long-term contract was 97.90, after a high of 98.02. Volume was 521 lots.

■ US Treasury prices firmed across the board yesterday in spite of fresh evidence of stronger growth in the economy.

In early trading, the benchmark 30-year government bond was up ⅛ at 105⅛ 32, yielding 7.206 per cent. At the short end of the market, the two-year note was also firmer, up ⅛ at 100⅛, to yield 4.184 per cent.

The market opened firmer in the wake of a report from the commerce department that gross domestic product rose 3.8 per cent in the fourth quarter last year.

Although the increase was larger than expected, and confirmed that the economy recovery was in full swing at the end of 1992, analysts said that the market chose to focus on the news, contained within the GDP figures, that the implicit price deflator – a key measure of inflation – rose by just 1.7 per cent in the final three months of last year.

FT FIXED INTEREST INDICES

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 22	Year ago	High*	Low*
Govt Secs (UK)	94.83	94.45	94.46	93.70	93.99	87.94	95.54	85.11
Fixed Interest	109.78	109.50	109.37	109.31	109.26	109.62	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 27	Jan 26	Jan 25	Jan 22	Jan 21
Gilt Edged Bargains	169.5	176.9	126.4	115.0	140.9
5-Day average	145.7	136.7	124.6	122.3	118.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.9300	+1.023	8.62	8.93	8.92
BELGIUM		8.750	06/02	107.8000	+0.050	7.58	7.57	7.63
CANADA *		8.500	04/02	103.0000	+0.300	7.93	8.16	7.91
DENMARK		8.000	11/02	102.0800	-0.480	8.61	8.45	8.91
FRANCE	BTAN	8.500	03/97	101.2627	-0.446	8.11	7.79	7.98
	OAT	8.500	11/02	103.7400	-0.180	7.93	7.81	8.06
GERMANY		8.000	07/02	105.6100	+0.170	7.13	7.13	7.23
ITALY		12.000	05/02	95.3000	-0.295	13.291	13.40	13.62
JAPAN	No 119	4.800	06/99	102.6945	+0.167	4.22	4.25	4.51
	No 145	5.500	03/02	107.6926	-0.037	4.34	4.39	4.53
NETHERLANDS		8.250	06/02	107.8000	+0.040	7.11	7.12	7.23
SPAIN		10.300	06/02	91.2000	-0.705	11.88	11.74	12.44
UK GILTS		10.000	11/96	110-18	-1/32	6.78	6.94	7.21
		8.750	08/02	111-00	+15/32	8.06	8.29	8.31
		9.000	10/08	103-06	+26/32	8.60	8.74	8.60
US TREASURY *		6.375	08/02	99-25	+9/32	6.41	6.62	8.73
		7.625	11/22	105-00	+12/32	7.21	7.36	7.40
ECU (French Govt)		8.500	03/02	101.6600	-0.215	8.23	8.23	8.63

London closing, *New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

UK-Dutch link suggests Europe options network

By Tracy Corrigan

THE procesa of greater co-operation between European derivatives exchanges will advance a step further on Monday when the planned link between OM London and the European Options Exchange in Amsterdam starts to operate.

It will be the first real-time trading and clearing link between independent European exchanges. But if plans and negotiations bear fruit, it could be the first of a series of links, ultimately creating a network of European futures exchanges which allows members of one exchange access to a broad range of European markets.

Initially, EOE members will be able to trade and clear options oo the OMX Swedish stock index, while OML members will have access to options on the Eurotop 100 index and the EOE-Index, made up of 25 Dutch shares, creating cost savings of as much as 50 per cent, according to Mr Lynton Jones, chief executive of OML.

Earlier this mootb, Germany's Deutsche Terminbörse and France's Matif announced the most important co-operation pact between European exchanges to date. They aim to implement tbe first step of tbe agreemeot – tbe installation of DTB terminals in Paris allowing Matif members to trade DTB bund futures – hy the beginning of next year.

The trading link between OM and EOE is the first in a series of linkages planned hy First European Exchanges (FEX), an alliance created last year by EOE, OM London 8nd OM Stockholm, Soffex in Switzerland and Otob in Austria.

The alliance "should give exchanges access to each others' membership without creating additiooal clearing costs," said Mr Jones of OML.

Links between Soffex and OML and between OML and Otoh are being developed, and could be in place by the end of the third quarter. A furtber link between OML and Otob would then be implemeoted: it is tecbnically tbe most straigbtforward, since the Otob exchange uses tbe OM screeo trading system.

In addition, other smaller European exchanges may join FEX: Italy'a Mif and Spain'a Meff are the likeliest candidates. Tbe Matif and the DTB have said that they would welcome discussions with other excbanges.

As the process gains pace, Liffe, Europe'a largest exchange, which offers a broad array of European products, appears increasingly isolated. However, Liffe is in discussioo over a link with the Chicago Board of Trade, and is considering joining Globex, the after-hours trading system.

First collared issue in sterling

By Tracy Corrigan

A RUSH of new issues in sterling and both US and Canadian dollars dominated market activity yesterday.

The most innovative deal of the day was a £100m 10-year issue for the Leeds Permanent Building Society, the first issue of collared floating-rate notes in the sterling sector.

The collared structure incorporates a minimum interest rate (floor) and a maximum interest rate (cap). Investors

INTERNATIONAL BONDS

are offered floating-rate notes which pay more than current money market rates, but will not benefit from rises in rates above the level of the cap.

Close to $8bn of collared floating-rate notes have been issued in the dollar market in the last six months. The steep yield curve in the US market has made it possible to buy caps and floors in the derivatives market, and use them to subsidise the cost of the issue to the borrower, while offering the investor an initial coupon higher than curreot mooey market rates.

The one-point cut in the UK base rate to 6 per cent on Tuesday finally made the structure viable in the sterling market, by causing the yield curve to steepen, according to lead manager Salomon Brothers.

The Leeds deal offers a minimum coupon of 7 per cent, ⅝ point higher than the six-month London interbank offered rate, and a maximum of 11 per cent.

More UK building societies and banks are expected to take advantage of the structure, because of the opportunity to reduce funding costs.

Meanwhile, the Royal Bank of Scotland took advantage of strong demand for longer-dated sterling bonds among UK institutions to launch a £150m 20-year issua of subordinated bonds, priced to yield 140 basis points more than the comparable UK gilt.

Bayerische Landesbank, the German regional bank, also raised subordinated debt in the sterling market. The £100m issue of 10-year bonds, arranged by SG Warburg, was priced to yield just 37 basis points over the comparable gilt. However, because it is backed by the Bavarian state, Bayerische Landesbank's subordinated debt benefits from the same triple-A rating as its senior debt, so that investors make little distinction between the different tiers of debt.

Both deals will count as lower tier two capital under the new international capital guidelines which came into force this month.

Buying in dollar securities remains strong, and General Electric Capital's second Eurobond offering this week sold out rapidly. The $250m issue due 1999 was arranged by UBS Phillips & Drew.

Swap opportunities in the Canadian dollar sector prompted three new issues, but dealers said that supply was likely to outstrip demand in the sector. KFW, the German agency, the European Bank for Reconstruction and Development and Bayerische Vereinsbank, the German Bank, tapped the market for C$700m.

● Moody's Investors Service, the US credit ratings agency, will review long-term debts of Bank of Yokohama, which owns Guiness Mahon Holdings, the UK merchant bank, aod Ashikaga Bank, both rated at A1, due to concerns over the banks' real estate related lending, writes Emiko Terazono from Tokyo.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
GECC	250	8.125	101.05	Mar.1999	1.875/1.725	UBS P&O Securities
Hylsa(a)	175	11	99.4	Feb.1998	1.5/0.5	JP Morgan Securities
Pharmaceutical Mktg.(a,b)§	60	6.25	100	Feb.2003	2.5/1.5	Lehman Brothers Intl.
YEN						
BFCE(c)	20bn	4.2	100	Jun.1996	0.1875/0.1	Nikko Europe
D-MARKS						
Iberdrola International	300	7.625	101.625	Mar.2000	2.25/1.5	Commerzbank
CCCI(d)	100	7.25	101.875	Feb.2000	2.25/1.5	BHF-Bank
Unsed Oalel Co.(c)‡★	80	(e)	100	Feb.1997	-	LTCB(Deutschland)
STERLING						
Royal Bank of Scotland	150	10.5	99.887	Mar.2013	0.625/0.325	UBS P&O Securities
Bayerische Landesbank	100	8.5	100.71	Feb.2003	2/1.65	SG Warburg Securities
Leeds Permanent BS(f)‡	100	(f)	100	Feb.2003	0.5/0.25	Salomon Brothers Int.
CANADIAN DOLLARS						
KfW International Finance	300	7.75	100.875	Feb.1998	1.875/1.25	Goldman Sachs Int.
EBRD	250	8.375	99.4	Feb.2003	0.325/0.125	IBJ International
Bayerische Vereinsbank	150	8	101.695	Mar.1998	1.875/1.75	Morgan Stanley Int.
SWISS FRANCS						
Kyosei Rentemu(a,g)§★	40	3.75	100	Jun.1997	1.625/1.375	Nomura Bank(Switz.)
Raika Corp.★	30	6	100.75	Feb.1998	1.5/1.25	Sanwa Bank(Schweiz)

Final terms and non-callable unless stated. ‡Private placement. §Convertible. ‡Floating rate note. a) Semi-annual coupon. b) Launched on 11/1/93. Conversion price: $20, a 19.4% premium. 2 year hard call, 1 year soft call at 130%. c) Borrowers full name: Banque Française du Commerce Extérieur. d) Borrowers full name: Caisse Centrale de Crédit Immobilier. e) Coupon pays 6-month Libor + 0.45%. f) Coupon pays 6-month Libor flat, minimum 7%, maximum 11%. g) Final terms fixed on 2/2/93. Callable on 31/12/95 at 108.625% declining by 2.875% semi-annually. Callable on 31/12/93 at 101.75% declining by 0.25% semi-annually on the condition that share price ≥ 150% of conversion price for 30 consecutive days. Putable on 31/12/95 at 108.625%. Conditional revision of conversion price in Apr.1995.

Wall Street celebrates the arrival of spiders

By Patrick Harverson

LARGE spiders will be suspended above the trading floor of the American Stock Exchange in downtown Manhattan this morning as it celebrates the launch of Standard & Poor's Depositary Receipts (SPDRs), known as spiders.

The new product allows investors to track the performance of the S&P 500 stock index, and is aimed at luring husiness back to the ASE that has been lost to stock index funds – low-cost funds, sold by big investmeot groups, such as Fidelity and Vanguard, that are designed to match the investment returns of stock market indices.

The chief attraction of spiders is that they mimic the performance of a stock index fund hut, hecause they represent shares in a trust that holds all the important S&P stocks, investors can buy and sell them quickly.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	106¾	+⅛	4.78
ALBERTA PROVINCE 9 3/8 95	600	110¼	110½		5.30
AUSTRIA 8 1/2 00	400	110¼	111	+⅛	6.56
BANK OF TOKYO 8 3/8 96	105	107¼	107¾		5.80
BELGIUM 9 5/8 98	250	114½	115		6.38
BFCE 7 3/4 97	150	105⅝	107½	+⅛	5.88
BNP 8 5/8 94	300	105⅝	105¼	-⅛	4.66
BRITISH GAS 0 21	1500	9½	9¾		8.53
CANADA 9 96	1000	110¼	110¼	+⅛	5.30
CCCE 9 1/4 95	300	108¾	109⅛	+⅛	4.75
CIA NAVIERA PEREZ 9 96	100	96	96¾	+⅛	10.53
COUNCIL EUROPE 8 96	100	105½	107½	-⅛	5.88
CREDIT FONCIER 9 1/2 99	500	114¾	113¾	+½	6.48
DENMARK 8 1/4 94	150	105⅝	106		4.39
DENMARK 9 1/4 95	1571	108¾	109⅛	+⅛	4.79
ECSC 8 1/4 96	193	108¼	108¼	+⅛	5.82
EEC 8 1/4 96	100	107¾	108⅛	+⅛	5.62
EIB 7 3/4 96	250	106⅝	107¼	+⅛	5.57
EIB 9 1/4 97	1000	112¾	115¼		6.07
ELEC DE FRANCE 9 98	200	111¾	112¼	+⅛	6.22
EURO CRED CARD TST 9 94	325	105¼	105¾	+⅛	5.67
EUROFIMA 9 1/4 96	100	110¼	111	+⅛	5.57
EXPORT DEV CORP 9 1/2 98	150	113½	114	-⅛	6.47
FINLAND 7 7/8 97	200	105½	106¼	+⅛	6.28
FINNISH EXPORT 9 3/8 95	200	109¼	110¼	+⅛	5.48
FORD CAPITAL 9 3/4 97	250	110¼	110¾	+⅛	6.92
GEN ELEC CAPITAL 9 3/8 96	300	110¼	111½	+⅛	5.75
GMAC 9 1/8 96	200	106¼	107	+⅛	6.87
GUINNESS FINANCE 8 94	200	104½	105¼	+⅛	4.60
IBM INTL FIN 7 3/4 99	200	103¾	104¼	+⅛	4.40
IND BK JAPAN FIN 7 7/8 97	200	105⅝	106¼	+⅛	6.30
INTER AMER DEV 7 5/8 96	200	106¼	106¼	+⅛	5.65
ITALY 8 1/2 94	1500	106¼	106¼	+⅛	4.59
JAPAN DEV BK 8 94	150	104⅝	105	+⅛	4.27
KANSAI ELEC PWR 10 96	350	112½	113		5.62
LTCB FIN 8 97	200	105¼	105½	+⅛	6.31
NEW ZEALAND 9 99	850	106½	107		4.63
NIPPON CRED BK 10 3/8 95	150	110	110¾	+⅛	5.83
NIPPON TEL & TEL 9 3/8 95	200	109¼	109¾	+⅛	4.87
ONTARIO 8 1/2 01	600	107½	107¾		7.24
ONTARIO HYDRO 11 5/8 94	200	107¼	107¾		4.39
OSTER KONTROLLBANK 8 1/2 01	200	110¼	110⅝	+⅛	6.81
[illegible]					

Remaining sections of this table (OTHER STRAIGHTS, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, YEN STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS): [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	19	11
Other Fixed Interest	10	2	3
Commercial, Industrial	366	293	766
Financial & Property	166	136	498
Oil & Gas	20	21	44
Plantations	1	0	8
Mines	50	11	80
Others	53	31	23
Totals	714	513	1,433

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	105	103	For. & Col. PEP Inv Tst	105	+½	F3.38	-	4.2	-
51	F.P.	-	68	52	Intl. Food Machinery	61		-	-	-	-
£10¼	F.P.	-	£10¼	£10¼	Mauritius Fund	£10¼		-	-	-	-
50	F.P.	-	62	52	OIS Intl.	62	+1	N1.9	2.8	4.1	11.5
-	F.P.	-	2	1½	‡Prime People Warrants	1½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	118½p	115½p	Bristol Water 8¼pc Pf.	118¼p	+¼
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
[illegible]							
Nil	480	21/5	72	58	Wessex Water	71	
3	Nil	24/2	1pm	¼pm	West Trust	¼pm	-¼

A Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. ‡ Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Jan 25
● Last Dealings Feb 12
● Last Declarations May 6
● For settlement May 17

3-month call rate indications are shown in Saturday editions.

Calls in: ASDA, Astec (BSR), Bellway, BM Group, Brit. Data Mognt., Caskel, Hanson Wts., Lasmo, NatWest, NMC, P & P, Pentos, Premier, Rhino, Sage and Wilshaw. Puts in: BM Group, LEP and Trio. Puts & Calls: BM Group, Premier and Shandwick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
[illegible]							
Trafalgar (*96)	90	14	16	21	5½	9	10½
	100	7½	12	16	9½	14	16
Utd. Biscuits (*366)	360	20	26	31	20	25	31
	390	7½	14	19	41	45	49
Unilever (*1120)	1100	49	73	94	30	45	53
	1150	27	48	66	62	75	82
Brit Aero (*188)	180	58	60	71	3	12	16
	200	40	48	59	6	18	25
[illegible]							
Blue Circle (*225)	220	22	29	37	14	26	32
	240	12	21	29	28	38	44
British Gas (*284)	280	15	17½	24	7½	15	18
	300	6	9½	15½	19	29	30
Dixons (*225)	220	19	28	32	11	17	23
	240	11	18	23	23	28	35
Eurotunnel (*411)	390	38	55	68	28	32	38
	420	25	40	54	38	45	57

FT-SE INDEX (*2817): [illegible]

PUTS								
Feb	4	7	14	20	54	92	134	184
Mar	14	21	32	48	73	105	142	184
Apr	24	33	47	65	88	118	154	194
May †	35	48	61	80	102	132	165	203
Jun †	-	58	-	92	-	145	-	212

January 28 Total Contracts 29,033
Calls 15,419 Puts 13,614
FT-SE Index Calls 2,482 Puts 2,694
Euro FT-SE Calls 12 Puts 58
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Jan 28	Day's change %	Wed Jan 27	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.19	-0.02	128.22	1.00	1.67
2	5-15 years (23)	146.82	+0.39	146.25	1.91	1.54
3	Over 15 years (8)	152.28	+0.83	151.02	1.42	1.05
4	Irredeemables (6)	172.55	+0.59	171.54	2.36	0.00
5	All stocks (61)	142.73	+0.31	142.28	1.53	1.51
	Index-Linked					
6	Up to 5 years (2)	186.03	+0.04	185.95	1.26	0.00
7	Over 5 years (11)	167.95	+0.02	167.92	0.54	0.62
8	All stocks (13)	169.10	+0.02	169.14	0.62	0.55
9	Debs & Loans (62)	125.59	+0.75	124.66	3.23	0.26

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jan 28	Wed Jan 27	Year ago (approx.)
	British Government				
1	Low	5 years	6.59	6.59	8.71
2	Coupons	15 years	8.14	8.23	9.19
3	(0%-7¾%)	20 years	8.46	8.55	9.19
4	Medium	5 years	7.11	7.13	9.50
5	Coupons	15 years	0.59	0.67	9.28
6	(8%-10¾%)	20 years	8.82	8.91	9.23
7	High	5 years	7.25	7.26	9.73
8	Coupons	15 years	0.87	0.95	9.36
9	(11%-)	20 years	8.97	9.05	9.29
10	Irredeemables (Flat Yield)		7.36	7.38	9.41
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.07	2.08	3.89
12	Inflation rate 5%	Over 5 yrs.	3.70	3.70	4.28
13	Inflation rate 10%	Up to 5 yrs.	1.23	1.23	3.23
14	Inflation rate 10%	Over 5 yrs.	3.51	3.51	4.10
15	Debs &	5 years	8.66	8.74	11.01
16	Loans	15 years	9.70	9.81	10.78
17		25 years	9.93	10.01	10.61

MFI shows 33% fall as sales slip

By Jane Fuller

NEWS OF a disappointing start to the post-Christmas sales at MFI Furniture Group yesterday marred its first results to be announced since last July's flotation.

Mr Derek Hunt, chairman and chief executive, gave a downbeat assessment of current trading alongside the announcement of a 33 per cent fall in pro forma pre-tax profit, from £19m to £12.7m, in the 28 weeks to November 7.

"I'm disappointed with these results, but they should be viewed in the context of hostile economic conditions, in particular in the housing market," he said.

Turnover slipped from £321.6m to £303.6m. Pro forma operating profit was 20 per cent down at £19.4m, before a £1.9m charge for closing some dealerships. The figures were at the bottom end of expectations.

Profit forecasts for the year to April, which had been pushing £80m at the time of flotation, were downgraded again yesterday to about £45m. One analyst said this marked the difference between earlier hopes of a 5 per cent rise in sales this year and the latest projection of a 5 per cent decline.

Mr Hunt said turnover was down in the first five weeks of the 10-week sale period, which accounted for about 30 per cent of the annual total. The outcome was, however, being compared with a strong January sale last year.

He also pointed out that slower sales of the large-ticket kitchen and bedroom furniture, which tended to be made in-house, meant that margins had been depressed. Beds, upholstery and cheaper goods had shown some growth.

Like other retailers, MFI experienced an immediate drop in sales after the mid-September sterling crisis.

The flotation enabled most of the £500m debt left over from the 1987 management buy-out to be repaid. Net debt stood at about £83m in November for gearing of 78 per cent.

This greatly reduced interest payments. In the first half of last year they amounted to £35.9m, the actual amount paid this time was £18.3m and the pro forma figure – assuming the flotation had happened before the period – was £5.4m.

Actual pre-tax loss was £12m. Interest costs, an £11m flotation-related management bonus and £2.2m bank fees accounted for the near £25m difference between the actual loss and pro forma profit.

Trevor Humphries

Derek Hunt: results should be viewed in the context of hostile economic conditions.

Mr Hunt said that with no sign of recovery, the emphasis remained on cost-cutting. The abandonment of regular Sunday opening and the shedding of nearly 400 jobs would cut payroll costs. The group, which has 175 stores in the UK, was also letting out surplus retail space and shrinking its warehousing.

Progress had been made in France where the plan was to increase the number of stores from 32 to 50.

MFI's share price shed 7p yesterday to close at 128p, compared with the flotation price of 115p, when the market was much softer. Its present £744m market value compares with £718m for the buy-out.

An interim of 1.25p is being paid. Pro forma earnings were 1.4p (2.1p). Actual loss was cut from 97.1p to 4.3p.

See Lex

Airtours running out of steam – Owners

By Richard Gourlay

OWNERS ABROAD, which is fighting a £221m hostile part paper bid from Airtours, yesterday said its rival's tour operating business was running out of steam and that its offer grossly undervalued the group's prospects.

Mr Howard Klein, Owners Abroad chairman, said shareholders should reject the Airtours offer which represented an exit multiple of 11.7 times earnings per share in the year to October, a 40 per cent discount to the FTA All Share Index.

Launching its formal defence, Owners Abroad executives predicted Airtours would lose money on its current airline fleet. Airtours already had the wrong aircraft for charter airlines and would end up, after a merger, with a fleet consisting of three different types that would be difficult to manage, said Mr Errol Cossey, airline director.

Integrating Owners Abroad's tour operations with Airtours' would also be difficult for a management that by then would be running a business with sales of £1.6bn, four times larger than they were at the end of last year.

The company would inevitably become vulnerable to an attack from Thomson, the market leader. "They (Thomson) would hit hard and immediately knowing the (Airtours) management were all over the place," said Mr Dermot Blastland, head of Owners Abroad's tour operations.

Mr David Crossland, Airtours chairman, said Owners Abroad's defence "promises little more than jam tomorrow" and refuted the claims that his business was running out of steam.

Mr Klein said the Airtours bid had all the hallmarks of an offer that had been hastily pulled together after Owners Abroad announced in December a tie-up with Thomas Cook and LTU, the German tour operator.

Airtours was paying a "very large fee" to its advisers, Barclays de Zoete Wedd, for a bid from a man (Mr Crossland) who owned a large stake in Airtours, and "clearly wants to be number one in the industry".

If shareholders accepted the Airtours offer – only part of which is available in cash – they would receive only diluted benefits from synergies Airtours says will arise from a merger.

Stakis calls for £28m and sells its nursing homes

By James Buxton, Scottish Correspondent

STAKIS emerged from convalescence yesterday by selling its nursing homes side for £50m cash and launching a £28m 1-for-3 rights issue. It will now concentrate on hotels and casinos, where, it says, performance is improving.

Stakis made a pre-tax profit of £305,000 in the year ended September 1992, compared with a loss of £47.4m of which £43.66m were exceptionals.

The sale of the nursing homes and the rights issue will cut Stakis's debt from £197m to below £120m and enable the company to pay off 12 of its lending banks and agree a two-year facility with the remaining nine, replacing a standstill arrangement.

Sir Lewis Robertson, who came in as chairman in early 1991 when the problems of the over-extended company became critical, said the company had made a "substantial move towards normal banking relationships." Stakis's future was now, "much more firmly assured with its senior direction fully settled."

Ashbourne Homes, which operates 18 upmarket nursing homes, has been sold to a syndicate led by the Electra Private Equity Partners fund, which raised £486m in 1990 to invest in private equity. The fund includes the quoted Electra Investment Trust. In addition to the £50m purchase price the investors will provide a further £8m available to fund development.

Along with Electra in supplying the £28m equity components of the deal are Prudential Venture Managers, Causeway Capital and Schroder Ventures. Senior debt comes from the Bank of Scotland, Midland Bank and 3i.

Mr David Symondson of Electra Kingsway, which arranged the deal, said it had originally discussed a joint venture with Stakis. Ashbourne might eventually be floated on the Stock Exchange.

Stakis decided to sell Ashbourne Homes, which made an operating profit of £3.4m (£2m), because of the future burden of developing its 21 sites for new homes, as well as the high cost of maintaining the sites.

Mr David Michels, Stakis's chief executive, said that developing the sites would have cost Stakis about £70m when it wanted to do other things. Stakis is taking an extraordinary loss on the sale of £47.7m.

There was a recent improvement in casinos which earlier in the year suffered from the effect of spending of recession. Operating profit was virtually unchanged at £6.6m (£6.5m). Operating margins on the 30 hotels had improved and the division made operating profits of £13.84m (£7.15m).

Turnover from the continuing hotel and casino businesses was £124.1m last year (£128.6m). Including discontinued businesses, group turnover was £154.1m (£171.4m).

Sir Lewis has no intention of retiring as chairman and his contract runs until next year. He could eventually be succeeded by Mr Richard Cole-Hamilton, former chief executive of Clydesdale Bank, who joined the board last month.

The rights issue involves one new share for every three existing held on January 18 at 32p per share.

Stakis passed its interim dividend but is paying a final dividend of 0.45p (0.9p). Earnings were 0.15p (losses 16.74p). Stakis shares rose 4p to 45p.

See Lex

Misys sharply up at £6.76m

By Paul Taylor

MISYS, the computer services group, yesterday reported sharply higher interim profits, partly reflecting the performance of recent acquisitions but underpinned by strong organic growth. The dividend is being raised by 15 per cent.

Pre-tax profits improved 88 per cent from £3.59m to £6.76m in the six months to November 30. The increase included £1.53m of profits from new acquisitions together with £209,000 (£120,000) of net interest. Group turnover increased by 28 per cent to £41.1m (£32.3m), including £6.32m attributable to acquisitions.

Earnings per share grew by 70 per cent to 11.9p (7p), out of which an increased dividend of 2.61p (2.27p) per share is being paid.

Mr Kevin Lomax, chairman, said that established businesses provided the larger part of the earnings growth. "Their stronger sales performance, together with further reductions in working capital and overheads, underpinned this advance."

However, he also noted that the performance of the acquisitions made during the last calendar year had been "most encouraging," with all contributing to the earnings gain.

The financial services division, which now includes the Countrywide businesses acquired in June, led the advance with record profits in all the divisional companies.

Turnover increased to £9.24m (£6.17m) while profits on ordinary activities before taxation grew to £4.03m (£1.62m). Mr Lomax noted that Countrywide's contribution was "significantly ahead of expectations."

Mr Lomax said the strong sales improvement in a number of the established businesses resulted largely from increased market share and the impact of new products.

● **COMMENT**

Misys' results were slightly ahead of expectations, mainly because of the particularly strong performance of the Countrywide purchases, and the shares jumped 48p to 435p. But even if acquisitions are excluded, profits advanced by 36 per cent. Meanwhile despite the £3.5m spent on acquisitions cash balances improved again during the first half to £12.4m from £9.9m at the end of last year. Given that most of the gains so far have come from increasing market share and new products, any more general upturn in demand would boost profits considerably. But even without this Misys looks on target to generate £16m of pre-tax profits and earnings of 28.6p. On a prospective p/e of 15.2p this stock is still a buy.

Unitech hit by low Japanese contribution

By Jane Fuller

A SHARP drop in the contribution from a Japanese business reduced interim pre-tax profit at Unitech, the electronic components group, by 42 per cent from £7.81m to £4.55m.

Unitech's main Japanese interest is its 50.8 stake in Nemic-Lambda, a power supplies company floated on Tokyo's over-the-counter market in 1991.

Mr Peter Curry, group chairman, said Nemic's sales had dropped by 20 per cent between the second and third quarters of last year and stayed at that low level. As a result its pre-tax profit contribution had fallen from £5.9m to £1.25m.

Overall, group turnover slipped to £117.2m (£131.1m) in the six months to November 30, although the majority of the decline reflected discontinued activities.

Operating profit in the continuing power supplies, connectors and control products businesses fell 39 per cent to £6.46m. Nearly £1m less was paid in interest charges, which totalled £1.99m.

The group is 55 per cent owned by two Swiss companies: Elektrowatt, an industrial group which has two seats on Unitech's board, and Sanrer Cruppe, vehicle of the financier Mr Tito Tettamanti, which has no representation. In 1989, soon after the two came in, Unitech's share price rose to nearly 400p. Yesterday it closed at 167p – up 2p.

Mr Curry, who founded the group in 1962, said that leaving aside Nemic, profits had increased from £1.9m to £3.3m.

The main areas of improvement were North America, which accounted for 30 per cent of sales, and the UK and Germany.

In the US, economic recovery and increased exports had enhanced the figures. In the UK, a range of power modules launched two years ago had proved a success. Control products subsidiaries in these two countries had also done well.

Mr Curry said the biggest second-half question was what improvement could be achieved in Japan after some cost-cutting.

Net debt had increased by £18.9m to about £60m since the end of last year, the bulk of which was accounted for by exchange rate movements. Gearing of 57 per cent was, however, an improvement on the 77 per cent prevailing in November 1991.

The interim dividend was held at 2.1p. Earnings per share, slipped to 3.4p (4p).

City Site portfolio falls 11%

By Vanessa Houlder, Property Correspondent

CITY SITE Estates, a property company, yesterday announced that its pre-tax losses had increased from £3.37m to £17.97m for the year ended September 1992, which it described as "the most difficult year in the company's history". The share price dropped from 24p to 13p.

The value of its property portfolio fell by 11 per cent to £113.8m, particularly as a result of a decline in property values in London.

Property write-downs of £15.3m, together with a £3.02m write-off of goodwill arising from the consolidation of Viking Property Group, led to an £18.3m exceptional item.

Pre-tax profits before exceptional items stood at £353,000 compared with a £1.6m loss the previous year.

The company is unable to pay preference dividends as a result of the effect of this loss on its distributable reserves. It will apply to the Courts to release the share premium account which will reduce the revenue reserve deficit to £4.25m.

Losses per share worked through at 119p (23p).

Basic net assets per share fell from 122p to 9p and fully diluted from 174p to 109p.

Warner Estates dips to £7.48m

By Matthew Curtin

WARNER Estates Holdings, the property investment group, saw pre-tax profits dip slightly from £7.64m to £7.48m in the year ended September 30 1992.

Turnover improved 19 per cent to £12.2m (£10.2m).

Although rental income was unchanged at £8.3m, revenue from property trading jumped from £147,000 to £1.77m, thanks to the sale of a large property in the Midlands.

However, increased costs led to lower overall operating profits of £6.19m (£6.47m).

Mr David Veaser, finance director, said the residential and retail markets, to which the group was mainly exposed, were likely to react first to any recovery in the property market.

Earnings per share were 11.15p, against 10.8p. The final dividend is 7p (6.75p) to make a total of 10.5p (10p).

Farepak falls deeper into the red at £0.97m

By Gary Mead, Marketing Correspondent

Farepak, the USM-quoted Christmas food hamper and meat processing group, reported an increased seasonal pre-tax loss of £965,000 for the six months to October 31 1992 against £613,000 last time.

However, the group is confident of strong growth in the full year and is increasing its interim dividend 13.8 per cent from 1.45p to 1.65p.

Turnover expanded to £11.4m (£10.46m) and Farepak's agency network – through which it sells its hampers – increased last year by 13 per cent, to 55,000.

The average sale per agent was up by 5 per cent and the number of hampers sold last Christmas was 800,000, an increase of 9 per cent over the previous year.

Analysts are looking for pre-tax profits of about £5.4m for the full year, up from £4.8m last time.

Control Securities nearly ready with business plan

By Maggie Urry

CONTROL Securities, the property, hotels, pubs and brewing group in negotiations with its banks and creditors over refinancing, hopes to present a plan to shareholders within "the next few weeks" the annual meeting was told yesterday.

Mr Sydney Robin, chairman, said the timing of the meeting – held in respect of the year to March 31 – was not ideal but unavoidable. He said the group was in "what I hope are the last stages of long and difficult negotiations" and he could not answer questions which might jeopardise the success of the talks.

He said "provided the final discussions go well, I will be calling another meeting in the near future". He also told shareholders that borrowings had been reduced "by quite a considerable amount" and the process was continuing.

The meeting approved all the resolutions including one waiving the company's borrowing limits. Mr Robin said that if the resolution was defeated the group would have to cease trading.

Its shares have been suspended since October 1991, and it is hoped trading will resume once a package has been put to shareholders.

The business plan will include asset sales and Mr Robin said: "I continue to believe that better values are available outside receivership".

One shareholder, who worked for a Swiss investment group, asked about the recent sale of the group's stake in Stylo at 90p a share. He said his firm would have been interested in buying the shares and could have paid a higher price.

The company is instituting an investigation after another investor asked questions which revealed that he had obtained confidential information about management and staff salaries.

See Observer

Cunard in marketing deal

CUNARD, the shipping subsidiary of Trafalgar House, yesterday announced a 10-year joint marketing venture with the EffJohn Group, owner of the Crown Cruise Line.

Cunard will market three of EffJohn's vessels under the name of Cunard Crown. EffJohn, whose parent company is listed on the Helsinki stock exchange, will continue to operate the vessels, although they will carry the red Cunard funnel.

Two of the ships currently operate in the Caribbean. The third, which should enter service in July, will be based in the Far East. Two Cunard ships, the Cunard Countess and Cunard Princess, will also operate under the Cunard Crown name.

The agreement will increase the number of berths marketed by Cunard by 40 per cent to over 7,000. Cunard will receive an annual marketing fee, thought to be about £3m, and a performance-based bonus.

● Trafalgar House has sold 14 acres of freehold land at its 350-acre Brooklands business park in Surrey to Procter & Gamble for its health and beauty care division. Terms were not disclosed.

Proteus loss marginally higher at £1.2m

Proteus, the USM-quoted company which uses computers to model molecules for drug design, yesterday announced continuing losses but steady progress on its research projects.

Pre-tax losses of £1.2m in the six months to September 30 compared a deficit of £1.12m last time. There was no revenue from sales as projects remain at the research stage.

Cash on deposit stood at £9.6m at the end of December, following last May's £12.2m rights issue. This lifted net interest received from £89,000 to £316,000.

The company's shares fell 8p to 471p

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.	Provisional Price for Trading on 28.01.93	Final Prices for Trading on 01.01.93	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.68	17.50	17.50
0100	21.66	24.31	26.02
0130	27.02	24.31	26.01
0200	27.02	23.33	24.97
0230	21.66	21.65	23.43
0300	21.66	21.66	23.44
0330	21.66	18.93	20.43
0400	18.47	17.73	17.73
0430	17.85	17.46	17.46
0500	17.77	17.44	17.44
0530	18.15	18.43	19.97
0600	18.28	18.42	19.89
0630	18.60	18.42	20.00
0700	21.66	17.46	17.46
0730	22.48	17.46	17.46
0800	23.07	17.46	17.46
0830	23.07	17.43	17.43
0900	23.07	26.00	26.00
0930	25.15	26.00	26.00
1000	27.26	23.88	25.70
1030	27.26	18.42	19.89
1100	25.15	18.42	19.98
1130	25.15	18.42	19.94
1200	25.15	18.42	19.92
1230	25.15	19.41	20.97
1300	23.46	20.29	21.86
1330	23.07	20.29	21.87
1400	18.53	20.29	21.00
1430	19.36	17.47	17.47
1500	19.31	26.00	26.00
1530	19.31	26.00	26.00
1600	19.31	26.00	26.00
1630	19.32	26.00	27.86
1700	27.05	22.33	23.98
1730	27.31	24.31	26.01
1800	27.31	24.31	26.01
1830	27.26	22.33	23.97
1900	27.27	21.87	23.27
1930	25.38	21.24	22.84
2000	24.66	21.24	22.84
2030	24.66	17.46	17.46
2100	21.00	17.46	17.46
2130	21.90	17.46	17.46
2200	21.86	17.43	17.45
2230	15.63	17.46	17.45
2300	18.65	17.45	17.46
2330	18.12	17.43	17.43
2400	17.82	17.43	17.43

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.8a/MWh becomes 1.68ap/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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NEWS DIGEST

Delaney calls halt to dealings

DELANEY Group, the loss-making furniture manufacturer and shopfitter, yesterday called a halt to dealings in the company's shares pending an announcement.

The shares were suspended at 9p – the high for 1992-93. In October the company announced a reduced pre-tax loss of £495,000 (£646,000), for the first half of 1992 on a turnover of £12m (£11.2m). At that time Mr Nathu Puri, chairman, said that the outlook for the economy was a deteriorating one.

Cardiff Property suffers write-downs

After a significant write-down in the value of properties, Cardiff Property has turned in a loss of £921,000 for the year ended September 30 1992.

That compared with a profit of £109,000, restated in accordance with the new treatment of extraordinary items.

Gross rental income rose to £601,000 (£559,000) and a further increase was expected for the current year. There was an exceptional charge of £940,000 (credit £19,000), including the write-down.

Losses per share were 35.7p, against earnings of 3.4p. The *dividend is held at 2.4p* with an unchanged final of 1.55p.

Consolidated results will show turnover of £615,000 (£791,000) and pre-tax loss £918,000 (profit £266,000).

Gresham Telecomp achieves £767,000

in its first full year since the merger of Gresham with Telecomputing, Gresham Telecomputing, the USM-quoted software and computer broking group, achieved pre-tax profits of £767,000.

The result, for the year ended October 1992, compared with £355,000 for the combined results of Gresham Telecomputing for the previous 13 months and of Gresham Computer Holdings and its subsidiaries for the 6¼ months since acquisition.

Turnover amounted to £7.25m (£6.3m) and the pre-tax result was after an exceptional £236,000 relating to the release of provisions against licences purchased and the release of excess provisions for 1991 prior year adjustment.

Earnings were 1.94p (1p) and there is a proposed single final dividend of 0.25p (0.22p).

Prism shares rise on profits surge

Shares of Prism Leisure Corporation, the USM-quoted music and games group, rose 12p to 75p yesterday on newa of a 28 per cent rise in pre-tax profits to £478,000 for the 26 weeks ended September 27.

Turnover improved from £5.83m to £6.07m. Earnings rose 0.8p to 3.8p and the interim dividend is being lifted from an adjusted 0.75p to 0.9p.

At period end cash reserves were in excess of £1m.

Jurys Hotel slightly ahead at I£2.15m

Jurys Hotel Group reported pre-tax profits slightly ahead at I£2.15m (£2.36m) in the six months to October 31, against I£2.07m. The Dublin-based company said that the period had started well but there were increaaed difficulties in the later months.

Turnover waa I£14.5m (I£14.2m). Earnings per share were 7.6p (7.3p) and the interim dividend is unchanged at 2p.

Sun Life shows fall in new business

Sun Life, the life assurance *company in which TransAtlan*tic Holdings has a 50 per cent stake, suffered a slight fall in new business last year.

Using tba recognised yardstick of total regular premium business plus 10 per cent of single premiums, volume declined from £228.2m to £227.7m.

Total annual premiums fell from £88m to £85.6m, but single premiums rose by 3 per cent to £409.6m, and single premium *life business* grew 5 per cent to £956.7m, mainly on the back of single-premium unit-linked bond sales.

Income from tbe business expansion scheme more than halved, from £65.9m to £30.8m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AB Consulting	int	0.3†	Apr 13	2.2	-	4.3
Abtrust Pref'd	fin	2.90625	Apr 30	2.90625	8.71875	11.625
Bertam	int	2.5‡	Feb 26	-	-	2.5
Cardiff Property	fin	1.55	Mar 22	1.55	2.4	2.4
City Site Ests	fin	nil	-	0.5	nil	1.46
Derby Trust	fin	8.4087	Feb 28	10.092	16.635	18.435
Farepak §	int	1.65	Mar 1	1.45	-	5
French (Thos)	fin	2.176	Mar 19	2.176	3.625	3.625
Gresham Tale §	fin	0.25	May 12	0.22	0.25	0.22‡‡
Jurys Hotel	int	2♣	Feb 27	2	-	5
Kleinwort High	int	1.875☆	Apr 2	1.875	-	7.5
MFI	int	1.25	Feb 26	-	-	-
Misys	int	2.8	Apr 5	2.27	-	6.1
Partridge Fine	fin	1.25	Apr 15	1.25	2.25	2.25
Prism §	int	0.8	Mar 5	0.75*	-	2.725
Saville Gordon	int	0.5	Apr 8	0.5	-	2.2
Stakis	fin	0.45	Apr 8	0.45	-	0.9
Unitech	int	2.1	Apr 1	2.1	-	5.85
Warner Estate	fin	7	Apr 4	8.75	10.5	10
Witan Investment	fin	2.9	Mar 18	2.8	5.8	5.3

Dividends shown pence per share nat except whare otherwisa stated. †On increased capital. §USM stock. ‡Special paymant following land sale. ‡‡For 13 months. ☆Second interim. ♣Irish currency.

LBC saved but Crown goes into receivership

By Raymond Snoddy

THE FUTURE of LBC, London talk radio atation, has been secured for the rest of its franchise period, but its parent Crown Communicationa has gone into receivership with debts of £16m.

LBC has floated clear of the wreckage and effective control has passed to Chelverton Investmsnts whose main shareholders are Mr Matthew Cartisser and Mr John Porter. Mr Porter is the son of Dame Shirley Porter, the controversial Conaervative politician and Sir Leslie Porter, the former president of Tesco.

The deal values LBC at £14m and a total of £7m new capital will be injected. Chelverton, which will invest a total of £2.5m - £500,000 now and £2m if LBC regains its franchise - will have 49 per cent of the equity with an option to go to 51 per cent.

Much of the remaining equity is held hy Crown's bankers ANZ and the Bank of Scotland in exchange for debt.

"For the first time we can offer LBC security for the future. We will keep LBC on the air and successfully regain its franchise," Mr Porter said after months of negotiations finally ended in a deal.

The London commercial speech franchise is expected to be advertised within the next couple of months by the Radio Authority. The current franchise runs out at the end of 1994.

Christopher Chataway: remaining LBC chairman for the immediate future

Neither LBC nor Indapendent Radlo Sales, another Crown subsidiary, are in receivership.

The end of the road for Crown was triggered hy the decision of the CSA, the French broadcasting authority, to hlock the sale of its French radio station RFM in a deal that would have been worth around £3m.

In the absence of a sale to a consortlum that included anothsr French radio group, NRJ, Crown's banks decided they could no longer support the group.

Administrators from Arthur Andersen were called in at 10pm on Wednesday. The joint administrators Mr Murdoch McKillop and Mr Martin Fishman said they would be meeting with all parties as soon as possihle.

It is thought unlikely that Crown will survive as an entity and that instead the remaining businesses such as IRS and Business Information which produces corporate videos will be sold.

Mr Christopher Chataway, the Crown chairman who is also chairman of the Civil Aviation Authority, is expected to remain chairman of LBC for the immediate future and Mr Charlie Cox will remain station manager.

It is less clear how long Mr David Haynes will stay on as chief executive. That could depend on what view is taken of the criticisms made by the CSA on how Crown had behaved in France.

Less than three years ago Crown was trading at 250p. When tha share price was suspanded last year pending the LBC deal it stood at 8p.

The company was hit hy the result of three expansionist moves - the acquisition of RFM, the splitting of its frequencies to create two services and a move to new headquarters in west London.

Watson pays £21m for Circle K stores

By Matthew Curtin

WATSON & Philip, the Dundee-based wholesale and retail food gronp, is huying Ensign Holdings, the holding company for Circle K, a privately-owned convenience store business, for £21m.

The shares jumped 30p to 333p on announcement of the deal which entrenches W&P's position in the lucrative convenience store market.

The group will issue 4.4m shares to Circle K and pay £7.66m in cash.

Mr Ian Macpherson, chairman, said ths acquisition was "an exciting extension of W&P's husiness into the growing convenience store market". Mr David Liddle, managing director of Circle K, was not available for comment.

Mr Macpherson said that, since acquiring Amalgamated Foods for £35.5m in April 1991, W&P had been looking for ways of achieving sustainable growth. Market research it commissioned showed that the convenience store sector was an area of real growth potential.

The group had been expanding its network of stores only in "ones and twos", but the Circle K deal had increased its stores from 100 to 300 in England and Scotland.

W&P's core husiness was wholesale delivery of food to shops it did not own. It would benefit from economies of scale and access, for the first time, to franchising and forecourt stores, increasingly common at petrol stations.

Mr Macpherson noted recent research showed discount food retailers had donbled yearly sales to £10bn in the past decade, while sales of goods at petrol forecourt shops rose by 10 per cent in 1992 to about £1.7bn.

W&P would also benefit from Circle K's modern retail compnter system, based on electronic point of sale systems used by supermarkets bnt tailored to convenlence stores' needs.

About a fifth of the W&P's pre-tax profits, which fell to £10.3m (£11.8m) in the 53 weeks to October 30 1992, derived from retail stores, but that share would increase to 30 per cent. Circle K would be run initially as an autonomous business alongside W&P's cash and carry, catering services, retail stores, and retail services divisions.

Circle K management accounts show pre-tax profits of £1.8m for the eight months to November 29 last year, compared with £1m (£832,000) on sales of £125m (£126m) in the year to March 29. W&P will assume its net borrowings of £3.3m, bnt benefit from £24m in unused tax losses.

In March 1991, management at Circle K staged a buy-out of the company from owners Circle K Corporation of the US and News International, Mr Rnpert Murdoch's media gronp. Circls K Corporation, which owns 3,400 stores in 32 states, has traded under Chapter 11 bankruptcy protection since 1990.

Running fast but still fourth

Maggie Urry reports on Asda's continuing programme for recovery

THE MARKET'S reaction to Asda's rights issue yesterday, pushing the shares up 3¾p to 67¾p, shows how far the food retailer has come in a short time.

When the previous chairman and chief executive, Mr John Hardman, left the company in tha summsr of 1991, many thought that the only hope for the group was a takeover. And few could think who the saviour might be given the depth of the problems.

Yet now stockbrokers are pushing up profit forecasts and looking for the shares to rise yet further.

To be fair, tha shares are still below the level they stood at when Mr Hardman left. So the new management team, headed by Mr Patrick Gillam and Mr Archie Norman, has more to do.

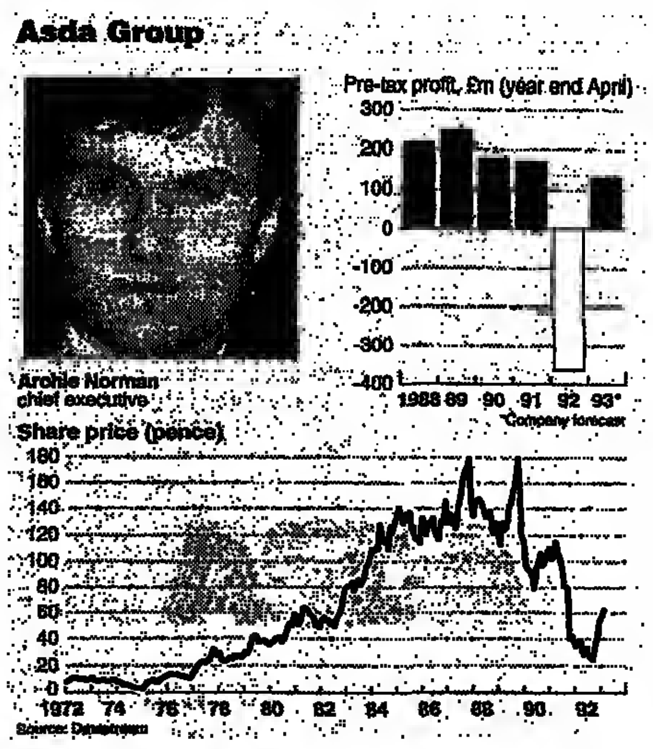
However shareholders who took up the last rights in October 1991 – a 9-for-10 issue at 35p – or who hought tha shares when they touched 23p last August, are feeling pleased with themselves.

Unlike the last issue, which came close to flopping, yesterday'a 3-for-10 offer at 53p a ahare seems likely to be taken up enthusiastically.

The two issues, plus asset sales, will have cut group debt from more than £900m when Mr Hardman left to about £100m net. Borrowings currently stand at £448.5m.

That answers one of Asda's problems, the need to rehuild the halance sheet. It was severely strained in 1989 when Asda bought 60 Gateway stores from Isosceles, the group which took Gateway over in a laveraged deal, for £705m. According to Mr Norman the final cost of that acquisition, which he said should never have been made, will approach £1hn after adding the costs of integration and refurbishment.

The next problem is how to use balance sheet strength to address the trading problems. At first, Mr Norman admitted, the cash would be gathering interest awaiting future spending.



"We can finance [capital spending] this year and next from trading," he said yesterday, "but in three years time the husiness would be getting smallar." He added that tha time from huying a site to opening a store is two or three years, so the group must now look to financing spending in 1995.

Asda has a legacy of "first generation" superstores in its north of England heartland. Many were converted from warehouses, factories or mills. They do not stand up well to competition from new stores opened hy rivals.

It must revamp, resite or rebuild these stores in order to protect the large market shares it has in its traditionally strong araas. Mr Norman added that at the same time it must win back its reputation for offering value for money to ordinary working people and their families.

The launch of an "Asda Price" campaign last autumn, and work on improving ranges is already hearing fruit, he claimed. Trading is ahead of expectations with like-for-like sales growth accelerating.

Asda did better than the industry average over Christmas, he said, and when J Sainsbury launched its January sale Asda prices were still significantly lower.

Now he is beginning to attack the property issue. The revamp of a store at Wolstanton, Stoke, in September last year, has more than paid for the £2m cost with a 20 per cent increase in sales.

This store, said the company, would "provide the basis for a store format which could he applied to the renewal of the core Asda superstore chain".

Mr Norman admitted that a few months trading from one revamped store was "early days for hard evidence", but he believed there was enough to carry on with the programme, and in any case "the alternative is to wait until it's too late".

As well as revamping stores, Asda plans to resite about 15 of the oldest ones at a cost of between £12m and £20m each, and rebuild five to 10 stores on existing sites, costing about £9m each and involving closing the stores for about eight months.

Asda is also experimenting with a discount store format called Dales. With four open so far, all conversions of "burnt-out" Asda stores, sales have risen sufficiently to offset the lower margin they achieve.

Mr Norman said there was still more experimentation to be done, and agreed that the formula of a discount store on an edge-of-town site had never been tried in the UK before. He took encouragement from successes of similar stores in the US.

Between the Wolstanton Asda and the four Dales shops, he said Asda had "the basis for commercially viable formats which, as they are further enhanced, will be rolled out".

At the moment, shareholders seem happy to go along with Mr Norman's view. Profit forecasts stretch up from between £135m and £140m pre-tax for the current year, to £180m or £190m next and perhaps £240m or more the year after. That progression would suggest the shares have further to rise.

But there is also a note of caution to be sounded. Holding fourth place in an industry with three highly competitive leaders, the task of transforming the business cannot be as simple as Mr Norman's confidence might make it seem.

"He might be right," concluded one analyst, "but it's high risk".

Strike doubles loss at GM Firth

A STRIKE at its steel rolling mill, Spartan Redheugh, was principsIly blamed by GM Firth (Holdings) for a doubling of its pre-tax loss, from £712,000 to £1.5m, in the half year to September 30.

The knock-on effect on its steel stockholding subsidiary, one of the mill's principal customers, together with high interest charges and "what was probably the worst market for steel since the 1930s", all contributed to the loss.

Mr Michael Wilkinson, the chairman, said that accordingly the group's principal aim in recent months had been to resolve the strike and significantly reduce borrowings.

In October, as part of restructured banking arrangements, it was agreed to sell Spartan but the directors have since decided to keep it within the group.

In December the strike was resolved and Mr Wilkinson said there had been no erosion of its customer base, particularly for the higher quality products.

Although Spartan's ability to expand was restricted by a shortage of working capital, that position would be eased when the new bank facilities were in place, he said. Borrowings had fallen from £14.6m on April 1 1992 to about £6.8m at present.

Mr Wilkinson added that trading losses had continued into the second half and the company had pruned its steel stockholding activities in line with the reduced market.

Turnover in the period dropped to £12.3m (£23.4m). Losses per share worked through at 4.46p (1.85p) and again there is no dividend.

The £1.87m loss on the sale of Arthur Lee shares in October and November coupled with costs relating to the restructured banking arrangements would be shown in the figures for the second half, the chairman said.

Last week it was disclosed that Mr Roger Shute, president of BM, the industrial holding company, had bought a 4.4 per cent stake in Firth.

Thomas French lower and selling loss-maker

AFTER THE adoption of new accounting requirements and paying £103,000 to a former director, Thomas French & Sons has seen its pre-tax profit fall from a restated £285,000 to £110,000 in the year ended October 3 1992.

The group also announced the sale of Kaz Krafts, which incurred a pre-tax loss of £210,000 in the period, to Legend Fine Art for some £200,000 cash. The group's overall focus was now more strongly directed to the core activities of curtain tape and window accessories.

Earnings per share fell from 5.51p to 0.19p, with the continuing businesses accounting for 4.58p (8.86p). They were arrived at after adding back payment to director of £68,000 net, and adjustments for discontinued operations of £443,000 net.

A maintained final dividend of 2.175p is proposed for an unchanged total of 3.625p.

Although the signs were for continuing recession the first quarter of the current year had gone well, said Mr Jeremy French, chairman.

The curtain tape business acquired from British Trimmings last June was performing to expectations and benefit was coming from the elimination of loss-making activities. Net borrowings were £2.15m, giving gearing of 40 per cent.

Turnover in continuing activities in 1991-92 fell 3 per cent to £12.8m generating a trading profit of £1.04m (£1.26m) while losses in discontinued businesses fell from £337,000 to £189,000.

Charges for losses on sale or closure of discontinued business, including £173,000 of goodwill previously written off, were £382,000 (£334,000).

Saville Gordon down slightly at £1.3m

By Paul Cheeseright, Midlands Correspondent

J SAVILLE Gordon Group, the Birmingham-based property investment and merchanting concern, reportad a slight decline in six month pre-tax profits, hut a maintained dividend, in its first results since it wound up its securities and commodities trading division.

Pre-tax profits for the six months ended Octohar last were £1.26m compared with £1.35m. Earnings per share amounted to 0.85p against 0.9p and the interim dividend is held for the third year running at 0.5p. In 1991-92 payments totalled 2.2p.

Dependent now on property investment income and pipeline equipment and stockholding, group tnrnover was sharply lower at £13.76m, compared with £28.47m in the first half last year.

With rent reviews coming through, property income is set to increase, taking the pipeline business as the weaker part of the group. Operating profits in the first half were £545,000 against £636,000.

Mr John Saville, the chairman, observed a recent improvement in demand, however, which should show through more strongly in figures for the next financial year.

NEWS DIGEST

Farringford £151,000 in the red

FARRINGFORD, which operates a hotel and golf course on the Isle of Wight, reported pre-tax losses of £151,000 for the six months to August 31 1992. Losses for the six months to June 30 1991, when soft drinks was its sole business, were £281,000.

The soft drinks business was sold in January 1992 when the company changed its year end from December to February. In September 1991 the Farringford Hotel (Freshwater) was acquired and was the only operating subsidiary during the period under review.

Turnover was £367,000 (£2.7m). Operating profits, including £65,000 from the hotel, amounted to £113,000. Losses per share are shown as 0.66p (3.27p).

Significant rise in Independent value

Over the six months ended December 31 1992 the net asset value per share of The Independent Investment Company rose 21.5 per cent, and over the full 12 months it increased 26 per cent, from 57.7p to 72.5p.

The North American investments performed well as the economic recovery showed signs of continuing and interest rates were lower. In the UK the decision to leave the ERM was beneficial.

In the half year gross income was £2m (£1.5m).

Asset value growth for Derby Trust

At the end of December net asset value of Derby Trust capital shares stood at 382p, an 11.4 per cent increase over the 343p reported the year before.

In 1992 gross revenue totalled nearly £3m (£3.27m). Earnings per share fell from 18.4348p to 16.6346p, and all of those are distributed as dividend, with the second interim being 8.4087p.

Partridge Fine Arts halved to £1.11m

Partridge Fine Arts, the antique dealer, reported halved pre-tax profits of £1.11m for the year to October 31 against £2.16m. Second half profits fell from £1.43m to £126,000.

Turnover fell to £8.36m (£9.64m). Earnings were 3.25p (6.54p). A maintained final of 1.25p is proposed for an unchanged total of 2.25p

Abtrust Preferred plans share issue

Abtrust Preferred Income Investment Trust is planning to issue new zero dividend preference shares with a market value of £8.5m together with new ordinary income shares to a value of £8.3m.

The company also declared a third interim dividend in respect of the year ended May 31 1993 of 2.90625p per ordinary income share.

Net assets ahead at Witan Investment

The net asset value per ordinary share of Witan Investment Company stood at 212.8p at the December 31 year end. That compared with 181.3p at the June 30 interim stage and with 178.8p a year ago.

The net asset value per warrant increased from 102.3p to 136.3p over the 12 months.

Revenue after tax increased from £19.5m to £19.8m for earnings per share of 5.71p (5.67p). A final dividend of 2.9p raises the total from 5.3p to 5.8p.

Net assets improve at Kleinwort High

Net asset value per ordinary share of Kleinwort High Income Trust stood at 84.5p at December 31. That compared with 74.2p at the June 1992 year end and with 72.8p at December 31 1991.

Respectively, net asset value per zero dividend preference share was 116.9p, 110.7p and 104.9p. Available profits for the half year to December 31 amounted to £1.01m (£1.26m) and earnings were 3.37p (4.19p). The second quarterly dividend is again 1.875p.

AB Consulting £0.85m in the red

AB Consulting, the engineering consnltancy, hlamed the recession in the construction industry for a fall into pre-tax losses of £849,000 in the six months to October 31. There were profits of £327,000 last time.

The company, however, said that it expected to be back in profit in the last quarter of the current year following cuts in staff and overheads last October and November.

Turnover improved to £6.29m (£5.36m) helped by the acquisition of Brian Ford Partnership.

Losses per share came out at 5.4p (earnings 2.7p). The interim dividend has been cut from 2.2p to 0.3p.

PSA's 'catalogue of disaster'

A select committee inquiry into the shortcomings of the government agency has cast a cloud over the final stage of its privatisation, writes Vanessa Houlder

A new chapter opened in the unhappy history of the Property Services Agency this week, as the government launched the last stage of its privatisation. It did not get off to an auspicious start.

On Monday, the government announced the tender of Building Management, the largest part of the agency to be privatised. Just two days later, the agency's shortcomings were on display as the all-party Public Accounts Committee scrutinised the 1991-92 accounts of PSA Services.

The committee grilled Sir Geoffrey Chipperfield, the permanent secretary of PSA Services, about write-offs of £12.8m in uncollected debts lost in a paper chase of invoices and inter-departmental disputes. One committee member described it as "a catalogue of disaster".

The MPs feared that these problems did not augur well for the sale. "What will be the effect of these uncollected debts on the value of the companies?" asked one member. "The facts we have been discussing will have some depreciatory effect on the value of the company."

"History is always with us and a purchaser will look at our short commercial history and the mistakes that have been made," agreed Sir Geoffrey. But, in his view, the agency's shortcomings are in past and would not significantly affect values. "We think invoicing procedures have improved so that we will have no more of a problem than any other commercial organisation."

Mr John Anderson, an executive director of Bovis Construction, which was called into the PSA 15 months ago to improve its management agreed. "We have endeavoured to make the organisation more commercial. We have been impressed by the way in which the people in this business have actually tackled this task," he told the select committee.

But improving the PSA's management, which has long been criticised for inefficiency, is a daunting task. "Few if any government agencies have come under heavier fire," said the Centre for Policy Studies in a 1988 paper entitled The Property Services Agency – a Case for Demolition.

It accused the PSA, which then employed a 24,707-strong staff managing 11m acres with a turnover exceeding £3bn, of being a "Byzantine bureaucracy". It quoted evidence given to select committees of "over management, a slow decision-making process, and a lack of urgency and energy in management".

Moreover, the PSA had neglected maintenance, had failed to identify opportunities to rationalise the estate and was insensitive to the needs of conservation. With property accounting for 15 per cent of the cost of government administration, there was a clear need to improve the efficiency of its property business.

The first step in the overhaul of the agency was breaking it into PSA Services (comprising PSA Projects, its construction arm, and the Building Management business) and Property Holdings, which controls the government's office portfolio and remains part of the Department of the Environment. The monopoly of PSA Services was then removed by opening government contracts up to competition. The final stage of the overhaul is the disposal of PSA Services, which began two months ago with the sale of PSA Projects to Tarmac, the construction and building materials group.

The PSA's history of inefficiency is part of the rationale behind the decision to dismantle it

The sale proved controversial because of the unexpectedly high costs associated with it. It involved a government payment of £54.9m to cover unpaid bills and to meet the cost of putting the business on a commercial footing. The government will also pay some £40m to cover costs of redundancies, since only 800 of the 1,500 staff have agreed to transfer to Tarmac.

The disposal of Building Management – which has been broken up for sale as five separate businesses based in Edinburgh, Manchester, Leeds, Bristol and London – once again raises concern that the government will have to foot an excessively high bill for redundancies. The cost of redundancies at Building Management, with five times as many staff as PSA Projects, could be far higher than in the earlier disposal.

It is not yet clear how many of Building Management's staff will choose to opt for redundancy or a temporary secondment to the buyer, which in many cases amounts to a deferred redundancy.

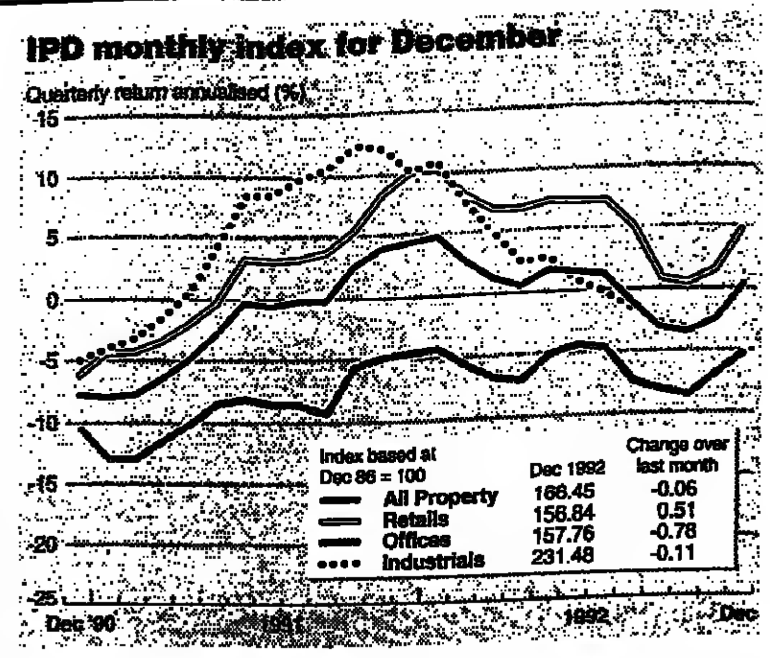
The CPSA, the union for administrative grades, expects no more than half of its members to transfer permanently. "No one will be enthusiastic about going from a job in the civil service to a job in the construction industry, which works on a hire and fire basis," says a representative of the Institute of Managerial and Professional Staffs, another trade union.

Coopers & Lybrand, the accountancy firm advising the government, believes the unions are being excessively pessimistic about the proportion of staff that will choose to leave. It believes that the costs of redundancy will be offset by the sums that buyers will be willing to pay for the businesses.

"My belief is that there will be strong interest in the businesses. We will be offered good prices which will offset the redundancy costs," says Andrew Jordan, a partner. He reports that more than 70 companies have expressed interest in the five Building Management businesses. These include contractors, consultants, utilities and building management. The response reflects the attraction of acquiring government contracts lasting up to five years and of gaining a significant share of the market in a single transaction. "Five years of work is something that many people in the construction industry would give their eye teeth for," says Mr Jordan.

But will the advantages of buying a few years of government work outweigh doubts about the businesses' ability to win future contracts? Many in the industry are sceptical. "I suspect PSA will not have very much competitive advantage," says one of its rivals. "PSA does not enjoy the best relations with government. The brand name is lousy."

But the PSA's poor record is not just a stumbling block for the success of this privatisation – it is also part of its rationale. Whatever the costs and controversy involved in its dismantling, there is a good chance that the management of the government's estate will be better as a result.



No sign of growth in year-end data

PROPERTY yields reached a record of 10 per cent in the month of December, according to new figures from the Investment Property Databank, a research group. The data underlines the renewed sense of pessimism in the property industry following the transitory signs of growth earlier last year.

The IPD Monthly Index shows that total returns for the month fell back once again to zero, as longer yields combined with further declines in rental values. The All Properties total return for the year sank to -0.1 per cent, the first negative year-on-year return since December 1991.

The returns of the different sectors converged slightly in 1992. Retails, which had a year-on-year return of 4.8 per cent, took over from industrials as market leader in February. Retail rental growth dropped from -0.7 per cent in December 1992 to -3.0 per cent, although capital growth improved by almost 1 point over the period to stand at -2.8 per cent in December.

Offices produced an annual return of -6.1 per cent, which nonetheless showed a 2 point uplift on 1991, the greatest relative improvement over the year. Capital value growth for the year to December was -14.2 per cent while rental value growth sank to -16.8 per cent.

Yields on industrials have been pushed out to 11.4 per cent. Rental value growth fell by 9 points to -9.5 per cent, while capital growth dropped from -2.1 to -3.6 per cent.

LEGAL NOTICES

Company No: 1562735
INSOLVENCY ACT 1986
Resolutions of Woburn Walk Investments Limited
PASSED

At an extraordinary general meeting of the above named company duly convened and held at Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AD on 25 January 1993 at 12.00 noon, the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution:

1. That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.

2. THAT A R Stanway and N S Hill, of Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AD be and are hereby appointed joint liquidators of the company.

Dated 25 January 1993
R J Cotter, Chairman

At a meeting of creditors held on 25 January 1993 at 12.15 pm the creditors confirmed the appointment of A R Stanway and N S Hill as the joint liquidators.

Notice of appointment of Administrative Receiver

Southern Magazines Limited
Registered number: 2230116. Nature of business: Publishing of magazines. Trade classification: Division 2-10. Date of appointment of administrative receivers: 18 January 1993. Name of person appointing the administrative receivers: Midland Bank Plc.
N J Vooght and J M Iredale,
Administrative Receiver/Joint Administrative Receivers (office holder nos 6339 and 2041)
Coopers & Lybrand, Orchard House,
10 Albion Place, Maidstone,
Kent ME14 5DZ

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JOBS: Ability to work innovatively depends on far more than a talent for thinking up novel ideas

Why creativity isn't all in the mind

WOULD readers who have proved yourselves creative in your work care to help the Jobs column in settling an argument?

To avoid misunderstandings, it had better be said that being "creative in your work" does not refer to such feats as contriving artistic arrangements of flowers on your desk before sitting down at it to ensure that precedent is followed to the letter. For a working achievement to count as creative, it has to satisfy four conditions.

Firstly it must be novel. Secondly it must be effective in serving a valuable purpose. Thirdly it must be decisively if not entirely of your own devising. Fourthly it must meet all the previous three conditions not only in your own estimation, but in the judgment of at least some other people with a sound claim to know what they are judging.

Creativity of that sort is the subject of the aforesaid argument. It arose at the British Psychological Society's occupational group conference this month, during a session starring Fiona Patterson and Tom Smith of Ford of Europe, where they are concerned with recruitment and staff development. Their topic was how a company can best select people with such creative abilities for its workforce.

One way *not* to do so, the Ford duo suggested, was by relying on tests supposedly designed for the purpose. The reason they gave was that, since would-be recruits can usually see that creativity is deemed important in the job at issue, the tests tend to make it easy to fake the "right" answer. And to show how, the speakers produced three questions from tests on the market.

In the case of the first two of them, the Jobs column readily agrees that the desirable answer is obvious. Both were of the same type, facing candidates with a statement and a choice of responses to it, then asking them to mark the one closest to their own heartfelt reaction.

In both instances, too, the possible responses were (a) strong disagreement, (b) disagreement, (c) uncertainty (d) agreement, (e) strong agreement. The first statement was: *Creative ideas do not come easily to me.* The other read: *I do not feel my ideas are innovative.*

Neither seems apt to present much of a stumbling block to an ambitious job-seeker aware that the recruiters deem creativity a plus-point. Indeed, the only difficulty would be in deciding whether any candidate who failed to mark (a) or at least (b) was simply uncreative, or half-witted into the bargain.

Where the argument arises, however, is over the conference speakers' claim that the desirable answer is similarly obvious in the third sample question they cited. Being doubtful myself, I'm inviting readers to try it and see.

The task is to consider the unfinished statement which comes first, then decide which of the alternative endings best matches your attitude to the topic concerned. (The original offered three endings. But since one was of the "undecided" type clearly meant to identify folk not creative enough to make up their mind on the issue, I'm giving only the two firm choices.) OK, here goes:

Discussion with ordinary, habit-bound, conventional people...

A ...*is often quite interesting and has a lot to it.*

B ...*annoys me because it deals with trifles and lacks depth.*

Now, which of the two is "obviously right" in the sense of being the answer that would honestly be given by a really creative worker?

In the view of the Ford duo, it was evidently B denoting belief that there is nothing potentially to be gained from the comments of ordinary, habit-bound, conventional people. But while that may be so in some highly specialised pursuits – pure mathematics might be an example – I cannot believe that the same spplies in more than a very few of the occupations in which creativity is of value. On the contrary, in most cases, a keen and attentive ear for such people's observations is surely an essential part of the ability to work creatively.

Nevertheless, while I disagree with the duo on the response, the ambiguity of the question leads me to share their scepticism about the tests cited. What they purport to gauge has too many dimensions to be mapped at all simply.

That much is yet better illustrated by another test based on the notion that creativity equates with the capacity to spawn novel ideas. Hence candidates are asked how many uses they can think of for a builder's brick or the like.

One attendant snag was pointed out by an erstwhile user, a top recruiting specialist in an outfit then employing half a million. "We find some people can produce far more than others. But as the quantity increases, the nearer they seem to get to being psychopaths. For example, some of the uses they come up with aren't just obscene, but sadistic. Is that creativity...and even if it is, do you want it in your organisation?"

The root answer is that it isn't. Far from meeting all four conditions set out earlier, a bent for spawning novel ideas might be incogruent with the discipline needed to achieve effective and valuable results. In the words of the American authorities on the topic, James Averill and Elma Nunley*: "We must distinguish the creative from the bizarre, the merely eccentric, the random – all of which can be quite novel or unique."

Moreover they go on to question the very basis of the tests I've mentioned. It is the notion that creative people think in a special way which differs from the mental workings of the more prosaic, thinking intuitively or synthetically as opposed to analytically or discursively.

"We believe the bulk of the evidence favors those who deny a special process approach," the Americans say. "The same thought processes, whether intuitive or discursive, are important in all behavior, albeit perhaps in different combination and degree. There is nothing special about creativity in this regard."

Nor do they think it dependent solely on mental mechanisms. Motivation also plays an essential role. "People are often motivated to do what they are able to do," the authors add.

"Motives help determine mechanisms. Within limits, a person who wants to do something can, through hard work and practice, develop the relevant abilities. There are, of course, limits. Not everyone can be an Einstein or a Beethoven, no matter how hard he works. But the limits are less severe than we like to think.... It follows that everyone has the ability to some degree."

There is something else that follows too. It's epitomised by a pet question of that giant of motivational theory, Fred Herzberg. "What's the most vital thing to do if you want your daughter to be a great pianist?", it went. Then, dismissing replies about giving encouragement and such, he'd grin: "No – make sure she has a piano to play on, for God's sake!"

His point would be confirmed by the pair from Ford. Their in-company studies show that everybody's creativity is inhibited unless organisational power structures are rigged not only to make it possible, but nurture it to boot.

Otherwise, even reliable creativity tests wouldn't be much help. The reason (having dropped several eminent names already, I might as well drop another) is enshrined in the philosopher Sir Karl Popper 's comment that the mere fact that everyone in the world acted in line with logic would not make it a logical world; just one filled with logical people. By the same token, an organisation full of creative individuals woo't necessarily be a creative organisation.

**Voyages of the heart. Free Press, New York; UK distributor Morston Books, Oxford (ISBN 0-02-901108-6) £16.95.*

Michael Dixon

WELSH DEVELOPMENT AGENCY

CHAIRMAN

The Secretary of State for Wales wishes to appoint a Chairman for the Welsh Development Agency.

The Agency is a non-departmental statutory body which carries out a wide range of programmes to assist the development of a self-sustaining market economy in Wales. Its functions include attracting inward investment, encouraging the development of a self-sustaining industrial property market in Wales, improving the environment and the economic potential of urban areas, continuing the elimination of industrial dereliction and supporting the economic development of rural communities. The Agency's budget for the forthcoming year will be about £170 million.

A full-time Chief Executive is responsible for the day-to-day management of the Agency. Within a framework established by statute and guidelines set by the Government, the Board of the Agency, headed by the Chairman, determines policy and priorities. The Chairman will take the lead in setting the agenda for the Agency's activities and its strategies for implementation and in ensuring that it works in close partnership with other public sector bodies and the private sector.

This is a demanding appointment for which candidates will need to be able to demonstrate proven business experience at the most senior level. It will be particularly important for the Chairman to command the confidence of all sections of the community in Wales. A good communicator, the Chairman will be expected to explain and project the aims and activities of the Agency, in Wales and overseas. A knowledge of public sector procedures would be an advantage.

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Anyone wishing to be considered should write enclosing a CV together with the names and addresses of 2 referees to: Mr D T Richards, Head of Industrial and Regional Policy Division, Welsh Office, Cathays Park, CARDIFF CF1 3NQ by 18th February 1993.

Further information may be obtained from Miss Jessica Geddes on Cardiff (0222) 823841.

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Interested applicants should contact **Ann Semple** on **071 831 2000** or write to her enclosing a full curriculum vitae at **Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.**

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This opportunity will be particularly attractive to energetic individuals with ambition and excellent verbal and written communications skills as well as a flair for project management. The successful candidate will be responsible for all aspects of EOC's marketing, legal, operational and corporate documentation and will have management responsibility. Editorial responsibilities range from the writing of initial drafts to the editing and supervision of production. The senior editor will report directly to the Head of the Editorial Group and will benefit from the opportunity of excellent short term career advancement.

Job requirements : University degree, English mother tongue, management experience, aged 30-35. Strong writing/editing skills with capacity to work simultaneously on a variety of projects. Five to ten years professional experience in senior editorial position or corporate communications, preferably within the financial services industry. Practical knowledge of financial services. Team worker with ability to work effectively at all levels of the organization, including senior management or outside. Proven project management skills with experience in delegating projects and overseeing all the stages of the editorial process.

Assistant Editor

As part of the editorial group, the successful candidate will have excellent written and interpersonal skills, and will be looking to develop a career in a team-oriented environment. The assistant editor will be closely involved in the preparation of all types of documentation. Major responsibilities will include research, writing and editing of newsletters announcing service enhancements, new products, market developments and operational and technical details.

Job requirements : University degree, English mother tongue. Mid to late twenties. Three to five years experience as technical writer or writer in corporate communications or journalism (experience in financial services is preferred). Ability to handle multiple assignments simultaneously and meet tight deadlines. Capacity to gather accurate information and conduct interviews with people at all levels of the organization or outside.

Interested applicants are invited to contact Thierry Raickman, our recruitment consultant, on 32.81.30.37.63 and/or to send a comprehensive curriculum vitae to him, at CARRUS, 11, R. R.Durette, B-5101 Namur, Belgium. Interviews will be held in London or Brussels.

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If you feel that you can meet this requirement, please send your full CV to Mr. Mark Child, Managing Director at Sun Hung Kai Securities (UK) Ltd, 4th Floor, Hambros Bank Building, 41 Tower Hill, London EC3N 4HA. (No agencies please.)

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Lloyd's of London Tercentenary Foundation is a charitable trust which was established in 1988 by the Society of Lloyd's to mark its three hundredth anniversary. The principal objective of the Foundation is the advancement of medical, scientific, technical and business-related education and research.

In support of this objective, the Trustees intend to award a number of two-year Research Fellowships tenable from October 1993 in one or more of the following categories:-

(a) Science and technology;
(b) Medicine and health-care;
(c) Business and related studies, including insurance;
(d) Safety or environmental studies;
(e) Engineering.

Eligibility
Applications will be accepted from candidates of any nationality wishing to carry out research at an institution in the United Kingdom. They should hold a Ph.D. degree or MD qualification, which should have been awarded within the past four years, or where appropriate, to have equivalent research experience. Other than in exceptional circumstances, preference will be given to those aged 35 years or under.

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The value of the award will provide for a relevant salary determined by reference to the applicant's age and experience. In the case of an applicant proposing to engage in research at a higher educational establishment the amount of the award will be related to the relevant university scale.

How to apply
Applicants should write to the Secretary of Lloyd's of London Tercentenary Foundation, at the address given below, requesting an Application Form and Instructions to Applicants, which give full details of eligibility requirements and the information required by the Trustees of the Foundation.

The closing date for completed applications is Friday 2 April 1993. The names of applicants selected for Lloyd's Fellowships will be announced during July 1993.

Lloyd's of London Tercentenary Foundation
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London EC3M 7HA

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Salary and benefits are those associated with a major international bank and applicants are asked to indicate their current remuneration package on their application.

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ACCOUNTANCY COLUMN

Monolithic system in need of drastic reform

Stella Fearnley and Mike Page on the burdens the UK's auditing regime places on smaller companies

THE TIME has come to reform the UK's monolithic system of financial reporting and auditing, which applies virtually identical accounting and auditing requirements to all companies regardless of size.

Standards setters and the government have until now chosen to gloss over the problems the current system creates. In the present climate of reform, this gloss is beginning to wear very thin.

There have been a number of significant changes to the financial reporting and auditing regime in the last couple of years. Some recognise the differences between large and small organisations and those where public interest is involved, but many do not.

While it was never admitted, the standards issued in the past by the now defunct Accounting Standards Committee and the Auditing Practices Committee were more geared to the listed and other larger public interest companies. That trend continues under the bodies created more recently.

Unless some means of distinguishing these different groups is found, improved standards in large company accounting and auditing will be held back by the need to reflect the limited resources of small companies, and small companies will continue to suffer unnecessary burdens.

This creates a substantial imbalance. There are only about 2,100 domestic UK listed companies and a further 1,500 large private companies with profits over £500,000 and turnover greater than £15m.

That is a tiny proportion of the estimated 400,000 to 500,000 active trading companies in the country.

Similarly, just 161 firms audit all the domestic listed companies, and adding in the 1,500 large private companies brings the total to 300 auditors. That is a small fraction of the UK's 14,000 registered auditors, most of which never see a large client.

On accounting issues, the Financial Reporting Council and the Accounting Standards Board are overtly focused towards larger companies. Unless legal distinctions are made, their mission to tighten reporting will add substantial burdens to small companies.

The problem lies in company law, which makes no distinctions based on size. There is a concession which allows small companies to file abbreviated accounts with Companies House. But this adds work, since the law still requires full accounts to be prepared for shareholders.

The position is at least as bad for auditing as it is for accounting. Audit regulation applies the same rules to all auditors regardless of the size and risk profile of their clients.

The problem is illustrated in the recently published reports from the regulatory bodies on the first year of audit regulation, which indicate that many firms are falling short of the standards set by the regulators. We would not wish to excuse poor standards of work, but the application of auditing standards and guidelines in their present form to the audit of small companies is not easy.

The Auditing Practices Committee was created in 1976 in response to public concern about one or two scandals in large companies. It recognised the different requirements of the small company by recommending a form of audit report with limitations on scope which are inherent in the audit of many small companies. But no really practical guidance was offered.

This form of report was withdrawn in 1989 to the indignation of many small firms. An exposure draft on the audit of small companies was issued by the committee shortly before its demise in 1991, but offered little advice on application. Since then little has happened. The Auditing Practices

It is time that more attention was paid to the needs of small companies and their auditors

Board had small company audits at the very end of its list of objectives for 1992, but there has been no sign of a statement yet.

We are currently researching the impact of audit regulation on practices of different sizes. It is becoming apparent that sole practitioners are finding the new regime very arduous. Regulation is having the greatest impact on smaller practices where public interest issues are minimal.

There has been little effect on the conduct of audits in the large firms acting in the public markets. When asked about the effects of regulation, a partner from a large firm said: "There are no new messages and no challenges." By contrast, a sole practitioner said: "In a word, devastating".

A real concern for smaller firms was ignorance about what the regulators really expected and a genuine desire for more practical authoritative guidance which was not linked to commercial organisations.

This gulf between the auditors of small and large companies, and between the public interest areas and the low-risk small audits, became embarrassingly obvious last week at an open forum in Chartered Accountants' Hall in London, where the APB's paper on the future development of auditing was being debated.

The paper explores various ways in which the role of the auditor could be extended and independence strengthened in order to meet the "expectations gap" and recommends limitation of auditors' liability. It is explicitly directed at listed and public interest companies.

The small practitioners in the audience did not welcome the proposals, arguing that any change would affect everyone. One speaker claimed that the smaller firms were being "sucked into" the problems of the larger ones and that the costs of extending auditing would be another encouragement for companies to evade regulation.

Extending the scope of audits and limiting liability may have some attraction for the larger firms, which find it difficult to get insurance cover. Our research suggests that these issues are far less important for the auditors to, and the owner-managers of, many small businesses.

A partial solution to the difficulties of applying one set of standards and one regulatory framework to such a diverse group might be the abolition of the statutory audit for small companies. But any change will take considerable time. More important, the government is currently only considering abolition for companies below the VAT threshold for turnover below £36,600 a year. Many small companies are above this limit.

The regime for audit regulation will be reviewed at the end of this year. It would be an appropriate time to consider whether the one set of regulations can be effective across the board, or whether the regime is too onerous for the small firms and insufficiently challenging for larger ones.

While concessions in accounting regulations for smaller companies may require changes to the law, the position is easier to remedy for auditing. Audit regulations require auditors to comply with auditing standards, but they do not specify what these standards should be.

That means the Auditing Practices Board could develop distinct, practical and meaningful guidelines for the audit of small companies, which comprise the overwhelming majority of UK businesses. It is time that a little more attention was paid to the needs of these companies and their auditors.

We do not believe it is realistic to apply the same accounting and auditing regime to the local sweet shop and to ICI. Nor is it sensible to expect the same standards to apply to a sole practitioner and to Price Waterhouse.

Stella Fearnley is Grant Thornton lecturer in accounting at the University of Southampton. Mike Page is Halpern and Woolf professor of accounting at the University of Portsmouth.

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Russia to raise domestic gas prices by up to 200%

By Deborah Hargreaves in Moscow

RUSSIAN DOMESTIC gas prices will be increased by up to 200 per cent on February 1 in an effort to make them catch up with past inflation, Mr Rem Vyakhirev, chairman of Gazprom, the Russian state production company said yesterday. Prices to consumers will rise to Rbs600 (about 79p at the present market) per 1,000 cubic metres from a current level of Rbs216.

Mr Vyakhirev said internal gas prices must be raised closer to world prices to fulfil Gazprom's urgent need for investment capital to develop new gas fields. "But as soon as you ask for a higher price, everyone thinks you're the enemy of the people, politically we are walking on a knife edge."

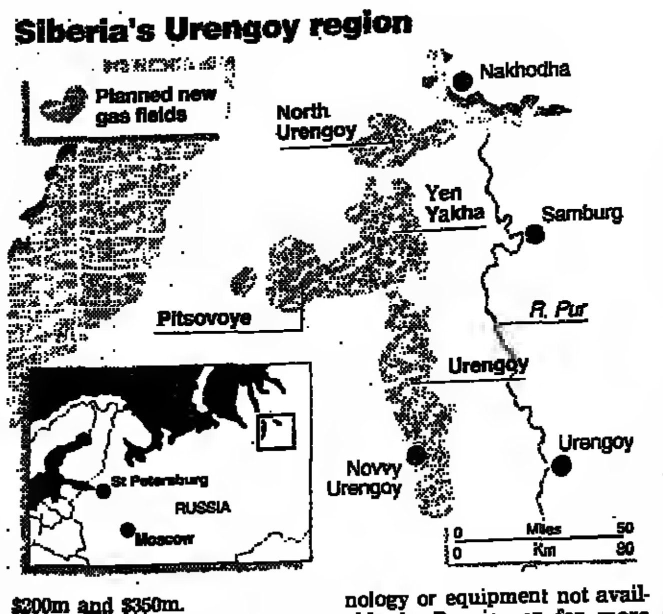
Mr Alexander Margulov, director general of Yamburggasdobucha, Gazprom's production arm in Yamburg, western Siberia, believes that internal gas prices will have to rise to Rbs1,000 per 1,000 cu m to enable the company to cover its development costs "with a very narrow margin". Gas prices have been kept artificially low but Gazprom is lobbying for them to be raised more quickly in line with inflation, which last year in Russia was running at 2,200 per cent. Mr Vyakhirev said Gazprom needed $8bn to $9bn for new field development over the next five years – the company cannot calculate its capital needs in roubles as the rapid pace of inflation makes the figures meaningless.

The company has secured $2.8bn in credit from western banks and is in discussions with a group of German banks including Deutsche Bank and Kommerzbank about a further $1bn. In addition to investment credits, Gazprom receives about $2bn a year in hard currency from gas sales to the west. The company said it could use this to buy equipment such as large diameter pipes and horizontal drilling equipment that was not available in Russia.

Gazprom has plans to increase its production of gas by 50bn cu m by 1995 to between 690bn and 695bn cu m a year. Last year, Russia produced 640bn cu m of gas and Gazprom accounted for 94 per cent of that. This year the company plans to pump about an additional 8bn to 10bn cu me.

Output will be increased mainly by a rise production from the Yamburg field in western Siberia and the recent start-up of new fields such as Yubilejnoye and Komsomolskoye to the south of the Urengoy region. Gazprom's Urengoy field in western Siberia – the world's largest gas field – produced 287bn cu m of gas last year and the company says it can maintain this level of production up to 1997. But Mr Reim Suleimanov, director general of Urengoi Gazprom, says it will be unable to maintain production beyond that date without additional investment to bring new fields on stream.

Mr Suleimanov is looking at developing four new satellite fields to augment output from Urengoy. The satellite fields include Pitsovoye, Yen Yakha, North Urengoy and Zapolyarnoye to the north east of the Urengoi cluster. A feasibility study of the North Urengoy field has indicated an initial development cost of between



$200m and $350m.

Mr Suleimanov says he would like to explore partnerships with foreign companies for development of the four new fields. Bechtel, a US resources company, has drilled two test wells in North Urengoi. "Without foreign investment, I can hardly see these fields being developed," he says. Gazprom's Moscow headquarters is less eager, however, to see foreign investors taking stakes in new fields. "We don't want to make the same mistakes as the oil industry," said Mr Vyakhirev, yesterday. He pointed to the need for foreign involvement to provide technology or equipment not available in Russia, or for more exploration data on fields already discovered, but he expected no gas production or transmission joint ventures.

Russia's gas industry is one of the country's great – perhaps the only – success stories, western observers say. Mr Suleimanov believes this is because of a powerful inertia in the gas industry, which keeps on producing in spite of lack of investment. In addition, Mr Vyakhirev stressed: "We've done nothing [in the way of investment] in the past three years, we need to make up for that in the next four years".

Zinc and lead prices rise on Australian group's output cuts

By Kevin Brown in Sydney and Kenneth Gooding, Mining Correspondent, in London

ZINC PRICES jumped by more than 5 per cent when trading started in London yesterday after Pasminco, the Australian natural resources group, said market conditions were forcing it to restructure its loss-making zinc and lead mining operations at Broken Hill, with the loss of 500 jobs.

Lead prices also moved up as analysts calculated that the restructuring would remove roughly 25,000 tonnes a year of zinc and about 32,600 tonnes of lead from the market.

Some analysts suggested, however, that the higher prices would be short-lived unless other producers followed Pasminco's example.

Mr William Adams, analyst at Rudolf Wolff, part of the Noranda natural resources group, said: "It is rather surprising that this news has had such an effect. I would expect selling to come in when the market has reconsidered." He suggested the higher price levels would not be sustained "unless there are more cuts and the market is certainly nervous about this possibility."

Mr Nick Moore, analyst at Ord Minnett, a subsidiary of the Westpac banking group, pointed out, however, that, although Pasminco's production cuts did not look very substantial when compared with zinc stocks of nearly 1m tonnes or lead stocks of about 640,000 tonnes, they would have an important impact on market supply and demand this year.

He calculated that, if nothing else changed, the expected statistical supply deficit in the zinc market this year would increase from 50,000 to 82,000 tonnes while "at one stroke the lead supply surplus is eradicated." Mr Moore said that "at today's prices" more zinc production cuts must be expected.

On the London Metal Exchange zinc for delivery in three months reached $1,127 a tonne in early trading, an eight-week peak, before closing at $1,115.25, up $40.75. Three-month lead closed up £7.375 a tonne at £285.50.

Pasminco said its Broken Hill operations were too inefficient to operate profitably at current low world prices for lead and zinc, in spite of capital investment of A$304m since 1985.

It said the northern operations, previously scheduled to close in 1995, would shut immediately because of mounting losses and the poor economic outlook in Australia and other developed countries. The remaining southern operations were to be restructured to increase production to 3,000 tonnes of ore a year from each employee, from about 1,500 tonnes a year.

This would boost production at the southern operations to 2.4m tonnes a year compared with current production of about 2.6m tonnes from the combined operations.

Asset write-downs, redundancy payments and restructuring were expected to cost about A$40m before tax. Pasminco said in October that it expected to return to profitability in the year to June, following two years of heavy losses.

Work to start on Swiss group's Tatarstan oil venture

By Frances Williams in Geneva

A PRIVATELY-owned Swiss company is about to start development of an oil project that could eventually raise output by more than 20 per cent in Russia's second largest producing region.

The autonomous republic of Tatarstan's 1992 production of about 650,000 barrels a day place it behind only Siberia in Russia's oil league, and it has vast unexploited reserves. The republic's authorities have so far authorised four joint ventures for oil exploration and development. One involves Total, the big French oil company, but the other three are with relatively small companies such as the Swiss-based Panoco, which derives its income principally from oil operations in Nigeria.

Panoco announced last week that the "Blue Kama" joint venture, in which it and Tatneft, the Tatarstan oil and gas authority, each have a 50 per cent stake, is about to start development of eight oil fields in a 31,750-hectare (78,460-acre) area. The area's proven reserves have been upgraded from 1.69bn to 2.61bn barrels since the joint venture accord was signed in 1991.

The first output, from 35 wells, is expected to come on stream in April and a longer-term plan involves drilling about 2,770 wells over 14 years, raising total output to 150,000 barrels a day from the present 2,000 barrels.

Panoco says the project will involve a total investment of up to $1.2bn, most of which will come from operating profits after the first three years.

Initially, Panoco plans to raise about $80m, half of which is to finance a new 93 km (58 mile) pipeline to link the new field to the oil treatment facilities at Almetyevsk. From Almetyevsk oil flows through the existing network to other parts of Russia and, via the Druzhba pipeline, to eastern Europe.

Under the terms of the joint venture agreement Blue Kama will export all its oil output until the initial investment is recouped. Subsequently, both partners are free to decide where to sell their half share.

The joint venturers are also studying the feasibility of building an oil refinery close to the Blue Kama area. Tatarstan currently has no refining capacity of its own and meets its own domestic needs by importing refined products from neighbouring republics.

Copper smelter to expand capacity

By Kenneth Gooding

PRODUCTION CAPACITY at Spain's Huelva copper smelter will be expanded by 20 per cent, from 150,000 tonnes of metal to 180,000 tonnes, by 1995 under the terms of a deal for Freeport McMoRan, the US natural resources group, to take a majority shareholding.

The smelter is the principal asset of Rio Tinto Minera and Freeport will pay about $54m for a 65 per cent interest in RTM, subject to several conditions being satisfied.

The deal is an important element in Freeport's strategy for its rapidly-growing copper-gold complex in Indonesia. The US group is also involved in a $545m copper smelter project in Indonesia, of which Metallgesellschaft of Germany would be the majority shareholder and operator. Freeport would supply only half that smelter's concentrate (an intermediate material) so it has been looking for more "captive" smelting capacity and the Spanish plant, which at present treats about 450,000 tonnes of concentrates a year, fits the bill.

RTM at present is a wholly-owned subsidiary of Ercros, the troubled industrial group 39-per-cent-owned by the Kuwait Investment Office's Spanish holding company.

● Freeport's Indonesian subsidiary has agreed to sell some of the present infrastructure and some still to be built at its mining complex in the highlands of Irian Jaya to the ALatief Corporation for about $200m. ALatief has retail, property management, real estate, manufacturing, agriculture and hotel operations in Indonesia. Freeport says in future ALatief will provide a major part of the non-operating services to its mining operations.

Barter deals help to bridge CIS grain gap

Laurie Morse reports on a way that has been found round the region's debt problem

THE US grain industry is in a peculiar position. Its best customer is strapped for cash, has a cumulative global debt in the area of $80bn and is $245.9m in arrears on US government-guaranteed loans for grain already purchased. Worse, the customer, the former Soviet Union, is struggling toward democracy and is a wounded giant in need of assistance.

Rather than abandon the Commonwealth of Independent States entirely, the US Department of Agriculture has quietly found a way to resume selling wheat to Russia and its surrounding Republics. Longer-term solutions to Russia's debt problems may be working their way through the new government in Washington, but until then, barter is gaining currency in the world wheat trade.

The US has sold 1.4m tonnes of US wheat to CIS countries since September under a little-known barter clause of its much larger Export Enhancement Program. When Russia's failure to meet US loan payments shut down mainstream credit programmes in late November, EEP barter sales increased markedly.

Initial allocations for the special programmes provided for 500,000 tonnes of US wheat for the CIS, but when that allocation was exhausted, additional allocations were transferred from Russia's 5.5m tonne overall EEP allocation. Russia still has 1.75m tonnes of EEP credits to draw upon, according to USDA officials.

The programme allows a third-party country to buy US wheat to balance a barter transaction, perhaps oil or metals, with a CIS country. To date Uzbekistan, rather than Russia, has been the primary barter recipient. The most recent sale was recorded yesterday – 110,000 tonnes of wheat for shipment between February and April.

The switch to barter, rather than credit or cash arrangements by the grain trade to the CIS is not surprising. The countries are resource-rich and cash poor, and still very much in need of imported grain.

In a report issued today, the International Wheat Council called for grain exporting countries to try new solutions to the CIS's credit problems. "Given the overwhelming importance of the CIS market, it seems likely that the major exporting grain exporting countries will seek every more inventive ways of servicing it," the report said. "The alternative could be a total default on current debt," it added.

Russia has been awaiting new credits for 2.5m tons of cereals from France, but terms of the guarantees have stalled the deal. Canada, the world's other large wheat exporter, long ago suspended wheat shipments to the CIS.

The IWC has projected that the CIS would import 28m tonnes of grain in the 1992-93 marketing years, down from 37.8m last year.

Cut likely in international rubber pact support price

By Kieran Cooke in Kuala Lumpur

A MEETING of the international natural rubber organisation here today seems likely to agree on a cut in the group's buffer stock reference price despite a recent upward swing in the market.

The reference price, which takes into account production and market conditions, determines when Inro's buffer stock manager should buy or sell rubber as part of efforts to stabilise prices.

Inro rules stipulate that the reference price must be cut by 5 per cent if the average Inro daily market indicator price over the previous six months is below the "may buy" level – at present set at Malaysian cents 176 a kilogram.

Prices of natural rubber have risen in recent weeks because of a rise in world demand and the start of the wintering, the low production season, in many parts of south-east Asia, the world's main rubber producing region.

But the Inro six month average is still just below the "may buy" mark and traders say the market has already discounted for a cut in the reference price.

Inro stockpiles of rubber now stand at about 160,000 tonnes.

Slow recovery forecast for cocoa prices

THE STRUCTURAL surplus in the world cocoa market from 1984-85 to 1990-91 is at an end, but prices are expected to recover only slowly to the year 2,000, according to a new study by the International Cocoa Organisation, Reuter reports.

The 1991-92 shortfall should begin a period when deficits outnumbered surpluses, it said.

Production and consumption should continue to grow, but much more slowly than during the last decade. The fall in stocks due to the predominance of deficits is expected to result in a recovery in prices in real as well as nominal terms.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices fall back in late trading on the LME, with a less-active market unable to sustain earlier rises. News that Chile's El Teniente could process concentrate from Enami's Ventanas smelter if a strike took place took the shine off the market. **ALUMINIUM** was firmer, helped by news that Russia might crack down on tolling of metal by Western firms. **GOLD** held steady on the London bullion market, but sentiment remains bearish and dealers expect the market to retreat towards support at $328. London's robusta **COFFEE** market closed with small losses in quiet but nervous conditions as dealers waited to see if there would be any resumption in the recent sharp decline. It appeared to be delicately poised with some believing the market should now start to rebuild after this week's rapid fall. New York **COTTON** prices were still ahead in late trading after a mild technical bounce following the declines earlier this week. But prices remained under severe technical pressure.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$16.05-6.15	+0.55
Brent Blend (dated)	$18.35-8.40	+.575
Brent Blend (Mar)	$18.45-8.60	+.575
W.T.I (1 pm est)	$20.40-0.50	+.925
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$189-190	+1
Gas Oil	$174-175	+1
Heavy Fuel Oil	$71-72	-1
Naphtha	$179-181	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$330.15	-0.50
Silver (per troy oz)♣	368.50c	
Platinum (per troy oz)	$362.25	-0.85
Palladium (per troy oz)	$110.25	
Copper (US Producer)	104.5c	+1
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	15.10r	
Tin (New York)	272.5c	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	120.06p	+1.35*
Sheep (live weight)†♣	80.05p	+9.24*
Pigs (live weight)†	84.27p	+2.97*
London daily sugar (raw)	$217.1	+1
London daily sugar (white)	$263.2	-1.6
Tate and Lyle export price	£252.5	+1.5
Barley (English feed)	£136.00u	+0.5
Maize (US No. 3 yellow)	£161.75	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	65.50p	+0.25
Rubber (Apr)♥	66.00p	+0.75
Rubber (KL RSS No 1 Feb)	241.5m	+2
Coconut oil (Philippines)§	$437.5y	+10
Palm Oil (Malaysian)§	$412.5w	
Copra (Philippines)§	$270.S	+2.S
Soyabeans (US)	£176.S	+1.5
Cotton "A" Index	57.95c	-0.55
Woollops (64s Super)	390p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb.x-Aug. w-Feb/Mar z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are new live weight prices * change from a week ago, provisional prices

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	196.m	198.m	196.00	
White	Close	Previous	High/Low	
Mar	255.60	257.40	257.30	253.30
May	257.00	258.50	258.60	255.10
Aug	260.90	262.50	262.00	258.70
Oct	244.m	247.50	247.40	242.m
Dec	246.00	248.50	247.60	247.70
Mar	247.80		247.m	
May	251.30	252.60	252.50	250.00

Turnover: Raw 7 (34) lots of 50 tonnes. White 1728 (1587) Paris- White (FFr per tonne): Mar 1397.00 May 1412.18

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Mar	18.65	18.03	18.69	17.00
Apr	18.70	18.17	18.75	18.02
May	18.77	18.32	18.77	18.14
Jun	18.70	18.40	18.76	18.28
Jul	18.86	18.36	18.86	18.37
Aug	16.60	10.42	18.90	18.38
Sep	18.90	18.44	18.00	18.55
IPE Index	18.m	18.01		

Turnover 28687 (25695)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Feb	168.25	168.00	170.00	167.25
Mar	169.25	168.50	170.00	167.50
Apr	169.00	168.00	169.50	167.m
May	169.00	168.00	169.50	167.25
Jun	169.00	167.75	169.25	167.75
Jul	171.25	169.75	170.00	169.50

Turnover 13157 (11858) lots of 100 tonnes

FRUIT & VEGETABLES
Navel oranges are this week's best buy at 10-30p each depending on size reports the FFVIB. White and pink fleshed grapefruit continue to be a good buy at 12-18p each for white and 25-30p each for pink. Kiwifruit are an excellent buy at 8-12p each. Lemons are at 15-25p each and apples remain at a stable price of 35-45p a lb for Cox. Dutch and English leeks are very good quality this week at 35-55p a lb. Broccoli at 45-60p per 8oz pre-pack. Savoy Cabbage at 25-35p a lb and potatoes are 10-14p a lb. Red, green and yellow peppers have come down in price this week and are at 70-80p a lb.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	703	708	712	698
May	716	710	722	710
Jul	727	728	732	723
Sep	740	742	744	737
Dec	760	701	762	754
Mar	782	781	783	777
Sep	823	825	821	820

Turnover 6880 (8804) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 27 731.26 (731.70) 10 day average for Jan 26 761.81 (765.31)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	873	885	880	868
Mar	877	877	883	801
May	885	885	890	865
Jul	874	875	880	860
Sep	887	892	894	870
Nov	897	904	909	868

Turnover:2795 (6212) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 27: Comp. daily 53.57 (52.97) 15 day average 58.47 (58.99)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	54.0	54.0	65.0	53.9
May	82.5	83.9	83.5	82.0
Apr	90.0		m.0	

Turnover 166 (273) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	157.00	155.00	

Ternover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1275	1270	1278	1275
Feb	1298	1300	1305	1295
Mar	1305	1310	1305	1305
Apr	1302	1304	1310	1300
Jul	1160	1150	1160	
Oct	1335	1330	1335	
BFI	1279	127S	1279	

Turnover 209 (436)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	138.25	137.60	138.25	138.00
May	140.00	150.45	140.00	
Nov	112.00	112.10	112.40	112.00
Barley	Close	Previous	High/Low	
Mar	135.00	134.75	135.15	135.00
May	136.20	135.65	136.20	136.00

Turnover: Wheat 126 (323). Barley 169 (201).
Turnover lots of 1m Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Feb	105.5	105.0	105.0	105.0
Mar	105.S	105.0	105.0	105.0
Apr	105.5	105.0	105.0	105.0
May	105.5	105.0	105.0	105.0

Turnover:13 (30) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,190 lots
Cash	1205-06	1197.5-98.5		1203.5-04.5		
3 months	1226.5-27	1219.5-20	1230/1222	1225-25.5	1229-30	164,965 lots
Copper, Grade A (£ per tonne)						Total daily turnover 31,875 lots
Cash	1493-94	1484-85	1490.5/1490	1490-90.5		
3 months	1510-11	1500-01	1511/1500	1506-06.5	1502-03	153,844 lots
Lead (£ per tonne)						Total daily turnover 2,590 lots
Cash	286-86 5	278.25-8.25	285	285-85.5		
3 months	285-86	288-8.25	285.5/282	284-84.25	294.5-95	12,601 lots
Nickel ($ per tonne)						Total daily turnover 11,504 lots
Cash	5840-50	5800-10	5840	5838-40		
3 months	6010-15	5870-75	5950/5906	5907-10	5940-50	43,496 lots
Tin ($ per tonne)						Total daily turnover 857 lots
Cash	5905-10	5820-30		5905-10		
3 months	*5960-65*	*5960-85*	*5980/5960*	*5960-65*	*5955-65*	*8,899 lots*
Zinc, Special High Grade ($ per tonne)						Total daily turnover 28,114 lots
Cash	1096-97	1054-56	1096.5	1096-96.5		
3 months	1115-15.5	1074-75	1127/1083	1115-15.5	1126-27	65,704 lots

LME Closing £/$ rate:
SPOT: 1.5170 3 months: 1.5060 6 months: 1.4979 9 months: 1.4905

LONDON BULLION MARKET		
(Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	330.00-330.30	
Opening	329.70-330.10	
Morning fix	329 70	216.979
Afternoon fix	329.95	218.655
Day's high	330.10-330.40	
Day's low	329.60-329.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	0.m	6 months	1.75
2 months	1.38	12 months	2.03
3 months	1.36		

Silver fix	p/troy oz	US cts equiv
Spot	243.30	369.90
3 months	247.10	371.65
6 months	250.50	374 80
12 months	257.60	382.30

GOLD COINS	$ price	£ equivalent
Krugerrand	329.50-332.50	218.00-218.00
Maple leaf	339.70-341.95	-
New Sovereign	79.00-82 m	52.00-54.m

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	30	61	13	21
1225	17	48	24	31
1250	6	34	41	43
Copper (Grade A)	Calls		Puts	
2200	80	102	14	42
2250	47	74	30	63
2300	25	51	57	m
Brent Crude	Mar	Apr	Mar	Apr
1700	187	-	-	17
1750	53	104	5	35
1800	40	64	22	44

New York

GOLD 100 troy oz.: $/troy oz.				
	Close	Previous	High/Low	
Feb	330.5	329.9	330.7	329.8
Mar	330.8	330.1	0	0
Apr	331.1	330.4	331.2	330.4
Jun	332.3	331.5	332.5	331.2
Aug	333.7	332.9	333.4	333.3
Oct	335.1	334.3	0	0
Dec	336.6	335.7	336.6	336.3
Feb	338.3	337.4	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	363.1	362.4	363.8	361.S
Jul	359.5	358.8	360.0	359.0
Oct	357.5	356.8	357.0	357.0
Jan	356.0	355.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Feb	370.0	367.4	0	0
Mar	370.8	368.2	372.0	368.0
May	373.2	370.6	374.0	370.5
Jul	375.4	372.9	376.0	372.6
Sep	377.8	375.3	376.0	375.5
Dec	381.6	379.2	381.5	379.5
Jan	382.6	380.2	0	0
Mar	386.0	383.7	387.0	387.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	99.90	100.1S	100.60	99.80
Mar	100.35	100.60	101.40	100.30
Apr	100.50	100.75	101.00	100.95
May	100.00	100.60	101.65	100.55
Jun	100.70	101.00	101.30	101.30
Jul	100.85	101.20	101.80	100.80
Aug	100.00	101.30	0	0
Sep	101.10	101.50	101.75	101.35

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	20 48	10.66	20.75	19.60
Apr	20.50	19.72	20.75	19.68
May	20.55	10 50	20 50	10.77
Jun	20.50	10.89	20.60	19.87
Jul	20.50	19.95	20.80	19.83
Aug	20.7S	20.00	20.75	20.06
Sep	20.70	20.04	20.75	20.07
Oct	20.53	20.07	20.80	20.16
Nov	20 53	20.07	20.57	20.11
Dec	20.50	20.07	20.80	20.87

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	56.30	54.51	87.75	54.50
Mar	56.80	55.12	56.40	56.10
Apr	56.80	54.90.	56.30	55.10
May	56.1S	54.45	57.16	54.70
Jun	55.80	54.35	56.7S	54.50
Jul	56.70	54.60	56.60	54.60
Aug	57.20	55.27	56.20	55.70
Sep	58.30	56.42	56.30	57.1S
Oct	58.85	57.37	58.85	50.80

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	923	928	932	018
May	951	958	001	945
Jul	973	978	981	968
Sep	998	1008	1005	998
Dec	1028	1036	1036	1038
Mar	1063	1073	1068	1065
May	1084	1094	0	0
Jul	1101	1111	0	0
Sep	1127	1137	0	0
Dec	1157	1167	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	58.30	57.75	58.50	56.00
May	64.10	63.30	64.25	01.80
Jul	60.90	65.20	86.20	63.75
Sep	67.80	67.m	68 05	65.60
Dec	70.50	69.70	70.50	68.80
Mar	73.10	72.75	73.50	71.00
May	75.10	74.65	0	0

SUGAR WORLD "11" 112,000 lbs: cents/lbs				
	Close	Previous	High/Low	
Mar	8.47	8.61	8.60	8.38
May	8.60	8.85	8.82	8.61
Jul	8.77	8.97	8.93	8.75
Oct	8.68	0.80	8.80	8.66
Mar	6.72	0.91	0.75	8.70
May	8 74	8.94	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	58.76	57.94	59.15	57.95
May	59.61	58.95	60.10	58.95
Jul	60.61	56.95	60.90	50.80
Oct	60.33	59.80	60.50	60.15
Dec	58.27	59.00	50.85	59.10
Mar	59.85	59.75	0	0
May	60.56	60.65	0	0
Jul	61.05	60.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	70.70	73.30	73.75	70.10
May	73.90	76.50	76.70	73 50
Jul	77.00	79.55	79.75	78.50
Sep	79.90	82.40	83.00	79.90
Nov	01.50	84.00	85.40	83.00
Jan	85.56	88.25	87.00	86 00
Mar	87.60	89.65	89.75	88.60
May	89.05	90.05	00.05	90.00

INDICES				
REUTERS (Base:September 10 1931 = 100)				
	Jan.28	Jan.27	mnth ago	yr ago
	1691.3	1687.2	1697.4	1588.2
DOW JONES (Base: Dec. 31 1074 = 100)				
	Jan.27	Jan.26	mnth ago	yr ago
Spot	121.17	121.68	121.67	116.44
Futures	121.06	120.98	122.19	123.44

Chicago

SOYABEANS 5,000 bu mm; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	572/6	581/2	582/0	572/0
May	575/2	583/6	584/4	574/4
Jul	579/2	588/2	586/2	578/4
Aug	580/4	589/2	589/0	580/2
Sep	581/0	587/6	589/4	501/0
Nov	586/2	594/2	595/0	585/4
Jan	594/2	601/6	598/4	594/0
Mar	601/0	608/0	602/0	601/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	20.70	21.43	21.44	20.73
May	21.04	21.66	21.67	21.02
Jul	21.22	21.86	21.87	21.22
Aug	21.26	21.88	21.84	21.26
Sep	21.26	21.88	21.80	21.26
Oct	21.26	21.85	21.80	21.26
Dec	21.38	21.95	21.75	21.35

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	181.5	183.7	183.9	181.1
May	181.8	183.6	183.6	181.5
Jul	183.1	184.7	184.8	183.0
Aug	183.0	180.3	185.1	183.7
Sep	184.6	186.1	186.3	184.6
Oct	180.0	187.2	187.1	185.9
Dec	188.0	188.3	188 7	187.2
Jan	188.0	188.8	188.0	187.8

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	215/0	216/6	217/0	214/6
May	223/0	224/4	224/4	222/4
Jul	230/0	231/2	231/4	229/4
Sep	236/0	237/6	237/6	230/0
Dec	242/4	244/0	244/0	242/2
Mar	249/2	250/6	250/2	249/0
May	254/0	255/6	255/4	254/0
Dec	249/4	250/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	375/4	380/2	382/0	374/4
May	350/0	352/6	353/2	349/2
Jul	326/2	328/4	329/4	325/0
Sep	329/6	332/0	331/6	328/4
Dec	336/4	340/2	340/6	336/4
Mar	341/4	345/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	77.400	77.875	78.100	77.350
Apr	76.625	77.325	77.450	76.600
Jun	72.550	72.97S	73.150	72.500
Aug	71.150	71.425	71.500	71.050
Oct	71.675	72.225	72.300	71.650
Dec	72.225	72.600	72.550	72.200
Feb	77.400	77.875	78.100	77.350

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	43.750	43.950	44.000	43.650
Apr	43.325	43.650	43.650	43.300
Jun	48.050	48.400	48.37S	48.000
Jul	47.550	47.775	47.875	47.450
Aug	45.525	45.900	45.975	45.500
Oct	41.600	41.725	41.850	41.600
Dec	42.600	42.850	42.850	42.600
Feb	42.950	43.050	43.200	42.950

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	34 375	35.800	36.200	34.100
Mar	35.075	36.225	36.675	35.025
May	36.250	37.275	37.600	36.850
Jul	36.675	37 600	37.800	36.600
Aug	35.700	36.450	36.650	35.500

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Share prices under further pressure

By Terry Byland, UK Stock Market Editor

THE LONDON stock market looked decidedly uneasy yesterday, and investors continued to take profits ahead of the close tonight of a two-week trading account which has seen the FT-SE 100 Index rise by nearly 2 per cent. Dealers in government bonds, on the other hand, are believed to have lost up to £20m following the auction of gilt-edged securities held in the wake of Tuesday's cut of one percentage point in UK interest rates.

Sentiment in the equity market was helped at first by a relatively steady performance from sterling and government bonds. But early gains in shares melted away in the face of a widely predicted batch of rights issues and lack of genuine investment buying to offset the profit-takers.

The mood was not helped by discouraging news from the corporate sector, where the departure of the chief executive of Lasmo, the North Sea oil group, revived worries over the outlook for the market's dividend yield prospects.

Also unsettling for the market was the announcement of a sharply increased deficit of £1.54bn on the UK trade account in December.

At the close, the FT-SE 100 was 15.6 off at 2,816.9, virtually the low of the day. But the FT-SE Mid-250 Index shed only 1 point to 2,963.5. Volume in non-Footsie stocks jumped to around 67 per cent of the day's Seaq total of 828.9m shares, compared with 56 per cent in the previous session. Wednesday's 753.5m-share Seaq total was worth £1.48bn in retail business, at the top end of the recent range of daily averages.

Rights issue nervousness in the stock market proved well-founded following a call for £347m from Asda, the food supermarket group, and for £28m from Stakis, the UK hotel company. The expectation of more rights issues continued to overhang the market. It is an open secret that only underwriting difficulties have restrained other UK companies from bringing cash demands into the stock market.

Much of yesterday's trend in equities was dictated by the stock index futures sector. Profits were taken in building materials, stores and brewery stocks, but there was renewed demand for the construction and contracting shares which have led the market advance over the past two trading sessions. Aerospace issues strengthened significantly as UAL, the US airline, announced contract policies.

Reverberations of this week's reduction in domestic interest rates to 6 per cent continued to sound round the stock market, not always to a favourable reception. While suggestions of further base rate cuts at Budget time in March remained favoured, doubts were widely expressed regarding the political handling of this week's move.

Some analysts suggested that the Footsie might now not be far from the high of the year. Tough measures in the Budget are now thought more probable and any good news may now be in the market.

Strategists at NatWest Securities commented that the latest cut in base rates, while unexpected, indicated that a further reduction to 5 per cent is likely and that this should provide further short-term upside for the stock market. But the authorities were "somewhat naive in the unsympathetic timing of the base rate cut, as far as gilt-edged marketmakers are concerned", NatWest added.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	3	475	-3
ASDA Group	78,000	67¾	+5
Abbey National	5,000	388	-8½
Albert Fisher	1,900	70	-2
Allied-Lyons	1,900	569	-8
Amstrad	1,400	24	-1
Anglian Water	1,700	474	-4
Argos	656	288	+5
Argyll Group	1,200	401	-3
Arjo Wiggins	2,300	164	+2
Ass. Brit. Foods	164	485	-9
Ass. Brit. Ports	265	375	+2
BAA	1,300	780	-10
BAT Inds	1,200	975	-12
BET	2,700	99	-2
BICC	1,300	363	-2
BOC	1,100	736	-9
BP	12,000	237½	-4
BPB Inds	616	195	-2
BT	6,100	409½	+3
BT New	2,000	304½	+3
BTR	1,600	558	+½
Bank of Scotland	7,300	132	+1
Barclays	11,000	431	-2
Bass	1,300	568	-7
Berisford Int.	[illegible]	126	-1
Blue Circle	1,400	226	+2
Booker	290	421	-5
Boots	1,600	518	-7
Bowater	385	382	-1
Brit. Aerospace	5,700	235	+8
British Airways	8,400	277½	+6½
British Gas	6,900	284½	-5½
British Land	823	193	-1
British Steel	20,000	71½	+2½
Bunzl	702	124	
Burmah Castrol	640	685	-11
Burton	11,000	75	+1½
Cable & Wire.	1,000	705	-7
Cadbury Schweppes	1,300	468	-4
Calor Group	16	235	-1
Carlton Comms	582	777	-13
Coats Viyella	2,100	218	+1
Comm Union	1,500	622	+4
Cookson	613	201½	-1½
Courtaulds	441	568	-1
Dalgety	630	489	-1
De La Rue	130	887	+1
Dixons	909	226	
Eastern Elect.	847	416	-5
East Midland Elect.	179	412	-3
Eng China Clays	878	469	-3
Enterprise Oil	3,100	435	-5
Eurotunnel Units	289	411	-1
FKI	6,200	114	+2
Fisons	3,700	225	
Forte	6,000	186	+6
Gen. Accident	1,100	587	-3
General Elect.	1,100	284	+1
Glaxo	3,000	686	-2
Glynwed Int.	124	259	-1
Granada	521	352	-4
Grand Met	3,100	450	-2
GUS A	394	1580	-40
GRE	1,700	170	-1
GKN	913	473	+1
Guinness	2,300	462	-11
HSBC (75p shs)	2,500	539	-7
Hammerson 'A'	708	269	-8
Hanson	5,200	246	+1½
Hanson Warrants	951	26¾	+¼
Harrisons Crosfield	2,000	165	-1
Hillsdown	1,900	147	-3
IMI	493	265	-4
ICI	818	1136	-2
Inchcape	549	565	
Kingfisher	1,600	553	+3
Kwik Save	120	823	+3
Ladbroke	6,200	199	-2
Land Securities	659	461	+2
Laporte	189	638	
Legal & General	567	448	-2
Lloyds Abbey	2,000	459	+3
Lloyds Bank	1,400	537	+5
LASMO	21,000	155	-8
London Elect.	344	439	-3
Lonrho	1,000	78	+1
Lucas	3,000	145	+2
MB Caradon	670	305	+1
MEPC	908	341	+3
Manweb	473	486	-6
Marks & Spencer	6,800	319	-5
Midlands Elect.	570	458	-2
Morrison (Wm.)	2,200	167	-3
NFC	273	268	-2
NatWest Bank	3,400	453	+1
National Power	3,400	304	-1
Next	3,700	146	-2½
North West Water	1,000	467	-2
Northern Elect.	382	470	-4
Northern Foods	1,500	274	-1
Norweb	476	468	-2
Pearson	852	377	+8
P & O	1,300	547	-1
Pilkington	670	105	-1
PowerGen	2,700	310	+1
Prudential	1,300	303	-1
RMC	414	566	-16
RTZ	2,200	668	+8
Racal	2,000	172	+1
Rank Org.	593	727	-9
Reckitt & Colman	308	615	-11
Redland	885	458	-14
Reed Intl	514	659	
Rentokil	600	221	-1½
Reuters	790	1374	+6
Rolls Royce	5,800	125	+1½
Rothmans	1,300	612	-16
Ryl Bk Scotland	1,300	228	-1
Royal Insurance	2,000	276	-9
Saatchi	218	170	+2
Sainsbury	1,900	579	+1
Scottish & New.	559	443	-5
Scot. Hydro-Elect.	178	251	+3
Scottish Power	2,500	225	+½
Sears	4,400	102	-3
Sedgwick	2,000	114	+2
Seeboard	275	458	-1
Severn Trent Water	1,700	458	-1
Shell Transport	[illegible]	581	-2
[illegible]	[illegible]	445	-8
[illegible]	[illegible]	169	+1
[illegible]	[illegible]	425	-18
[illegible]	[illegible]	71¾	-1½
[illegible]	[illegible]	408	-5
[illegible]	[illegible]	424	-5
[illegible]	[illegible]	354	+3
[illegible]	[illegible]	435	-2
[illegible]	[illegible]	402	-4
[illegible]	[illegible]	490	+2
[illegible]	[illegible]	452	-6
[illegible]	[illegible]	465	-4
[illegible]	[illegible]	550	-7
[illegible]	[illegible]	210	-1
Sun Alliance	[illegible]	331	-8
[illegible]	[illegible]	187	+4
[illegible]	[illegible]	264	-1
[illegible]	[illegible]	100	-2
[illegible]	[illegible]	111	+½
[illegible]	[illegible]	395	-5
[illegible]	[illegible]	78	+2
[illegible]	[illegible]	267	
[illegible]	[illegible]	477	-1
[illegible]	[illegible]	815	-3
[illegible]	[illegible]	263	-2
[illegible]	[illegible]	[illegible]	-2½
[illegible]	[illegible]	122	-8
Unilever	737	1121	-1
United Biscuits	671	387	-1
Utd Newspapers	302	528	
Vodafone	4,100	375	-12
Warburg (SG)	1,800	576	+4
Wellcome	1,500	904	+1
Welsh Water	168	516	-1
Wessex Water	673	591	+6
Whitbread 'A'	446	452	-1
Williams Hldgs.	1,200	344	+1
Willis Corroon	1,700	205	+5
Wimpey	1,600	122	+5
Wolseley	223	556	-3
Yorkshire Elect.	257	480	-1
Yorkshire Water	320	622	+1½

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Jan 18	Feb 1	Feb 15
Option Declarations:		
Jan 28	Feb 11	Feb 25
Last Dealings:		
Jan 29	Feb 12	Feb 26
Account Day:		
Feb 8	Feb 22	Mar 8

*New time dealings may take place from 8.30am two business days earlier.

Housing doubts remain

THE LATEST reports on UK house repossessions and mortgage arrears found a cautious response in the stock market. Royal Insurance and Sun Alliance, the two composite insurers most exposed to mortgage indemnity losses, were unsettled by profits downgrades and a shift of stance by Credit Lyonnais Laing, the stockbroker.

Mr David Hudson, insurance specialist at Credit Lyonnais, downgraded profits estimates for both companies. After reviewing the news on repossessions and arrears, he was less optimistic on the recovery in the mortgage indemnity business, which has caused heavy losses at both groups.

He lowered 1993 profits forecasts for Sun Alliance from £63m to £25m, moving his stance from "hold" to "sell", and for Royal cut 1993 estimates by £20m to £35m, and shifted his stance from "buy" to "hold".

Royal lost 9 to 276p and Sun Alliance 8 to 331p. The former reports 1992 results on February 25 and Sun on April 2.

Recent dollar strength and good results from Marsh and McLennen, the US insurance broker, prompted keen buying of the insurance brokers, where C.E. Heath rose 9 to 347p and Willis Corroon 5 to 205p. Steel Burrill Jones jumped 15 to 253p.

Rolls-Royce strong

In a strong aerospace sector, shares in aero-engine manufacturer Rolls-Royce moved sharply forward by 7½ to 135p in brisk trade of 5.4m shares on strong hints that it had clinched a lucrative engine order from USAir.

The US airliner was said to have ordered 15 Boeing 757, with an option on another 15 and they are to be powered by Rolls-Royce's 535 engines. An announcement of the order is expected today.

However, there were reports that some of yesterday's buying had come from the US, a factor that does not bode well for Rolls. Any further buying from overseas may breach the ceiling of about 30 per cent on foreign ownership, which was last reported to be around 29 per cent.

Lasmo news

The resignation of Lasmo chief executive Mr Chris Greentree shocked the market and triggered strong suggestions that his departure could see the final dividend cut, possibly by half, when the preliminary figures are announced on March 24. Mr Greentree was regarded as the architect of Lasmo's expansion in the late-1980s and the acquisition of Ultramar last year.

Lasmo was strong initially, touching 169p amid vague takeover rumours, but fell sharply to 153p on the resignation news before stabilising and closing 8 down at 155p. Turnover reached 21m, the heaviest day's trade since September 1988 when British Gas staged an ultimately unsuccessful dawn raid on the shares.

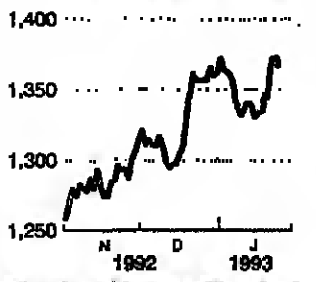
Dr Rob Arnott at Hoare Govett, who yesterday published a bearish note on Lasmo, said: "Until the dividend decision is taken we believe Lasmo shares will fall further." Mr Simon Flowers at NatWest Securities said: "We thought the chances of a divident cut were 50-50 before this news; now the chances are much greater." Mr Fanton Chuck at Strauss Turnboll, said he was "supportive" of Mr Joe Darby, Lasmo's new chief executive, and that although the shares "are still too expensive we are no longer rock-bottom bearish."

Hanson steady

Conglomerate Hanson, which earns 25 per cent of its profits from tobacco subsidiary Imperial Tobacco, shrugged off worries over a UK legal settlement in favour of a passive smoking claim and maintained its recent firm trend.

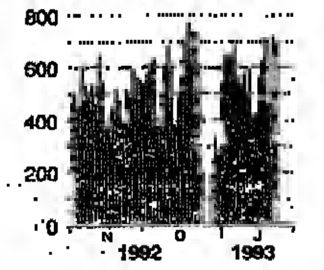
Analysts said that no amount of bad news could compete with the bare fact that on a prospective return of 6.2 per cent Hanson shares were yielding more than cash to the bank. The shares broke through what is considered a significant 240p barrier on Wednesday, when the company held its annual meeting. Yesterday they improved a further 1¼ to 246p. However, tobacco groups Rothmans International and BAT Industries were hit by the news of a £15,000 out-of-court payment. Tightly-traded Rothmans fell 16 to 612p while BAT lost 12 at 975p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



VAT ruling

News that leisure groups Thorn EMI and Granada had won their appeal against the UK Customs and Excise office came too late to help the shares, which fell 3 to 815p and 4 to 352p respectively. The authorities had demanded more than £50m as part of VAT due on the companies' rental businesses.

The companies made no provision in last year's accounts for the possibility of losing the appeal and some analysts had drawn attention to the nervousness in the shares while the outcome of the legal ruling was awaited.

The well-signalled rights issue from Asda finally arrived, with the supermarket group making a 3-for-10 cash call to raise £347m. The market was very receptive to the move, with the company stressing its desire to accelerate its refurbishment and new store programme.

Asda's accompanying statement that profits would be at the top of market forecasts sent analysts reaching for their pens. BZW increased its 1994 forecast from £144m to £190m. The shares jumped 4¾p to 67¾p with 78m shares dealt in the market and the equivalent of a further 5m changing hands in the form of traded options. However, some specialists expressed surprise at the strength of the rest of the food retail sector, which suffers a lot of switching between stocks, in reponse to the Asda move.

Dealers reported little new enthusiasm for the stories suggesting a rights issue at Burton Group, although there were hints that the company's advisers may have struggled to find sufficient support for a cash call. Burton added 1¼ to 75p.

Hotel group Stakis attracted attention with improved results, a rights issue and a big disposal. While analysts were satisfied with the group's recovery from its financial difficulties the sale of its nursing homes raised doubts over the longer term strategy. The shares added 4 at 45p. Analysts upgraded forecasts to a range of £7m-10m for next year.

Among metals and engineering stocks, British Steel were heavily traded and saw turnover of 20m, as the shares firmed 2¼ to 71½p. The demand was said to have come after a bullish presentation at BZW.

Vague talk of financial worries at BM group, led to a sharp retreat for the shares early in the day. At the day's worst they were down 49 but they later recovered to close 10 off at 50p. The improved outlook for the motor trade led to strong demand for truck manufacturer ERF, and the shares jumped 30 to 200p.

Construction and housebuilding issues were given a big boost by a Credit Lyonnais Laing note recommending eight of the housebuilders as strong buys. The broker's housebuilding research team, in its outlook for 1993 and 1994 said it expected housing starts to increase by 8 to 10 per cent and house prices to stabilise. Laing recommended Barratt, 2 firmer at 116p, Bellway, 2 up at 345p, Berkeley, 10 higher at 351p, Bryant, Persimmon, 10 to the good at 225p, Wilson Bowden, 3 firmer at 393p, Wilson Connolly, 3 better at 154p, and Wimpey, 5 higher at 122p.

Continued speculation that the Al Yamamah 2 defence order from Saudi Arabia was about to be announced boosted British Aerospace and the shares moved 8 forward to 235p.

A stock overhang continued in BAA and the shares fell 10 to 780p. Some attributed the the weakness to switching out of BAA and into British Airways, which closed 6¼ up at 277½p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

■ Other market statistics, Page 19

FINANCIAL TIMES EQUITY INDICES

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 22	Year ago	High	Low
Ordinary share	2184.8	2187.0	2189.0	2145.0	2152.2	1973.6	2209.9	1870.0
Ord. div. yield	4.33	4.32	4.31	4.39	4.39	4.83	5.34	4.23
Earning yld % full	5.95	5.93	5.93	6.05	6.03	6.94	-	-
P/E ratio net	21.43	21.51	21.52	21.10	21.15	18.11	21.93	15.79
P/E ratio nil	19.80	19.87	19.88	19.49	19.54	17.09	-	-
Gold Mines	69.3	67.5	64.3	63.2	63.8	146.1	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.1 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2181.8	2189.8	2197.7	2188.9	2185.1	2182.5	2185.4	2186.6	2184.2	2199.2	2181.8

Volume	Jan 28	Jan 27	Jan 26	Jan 25	Jan 22	Year ago
SEAQ Bargains	35,017	38,362	39,474	31,171	31,229	29,269
Equity Turnover(£m)†	-	1482.3	1719.6	984.0	1482.1	1349.6
Equity Bargains†	-	43,043	43,704	34,517	36,368	29,434
Shares traded (mil)†	-	694.6	716.6	460.4	709.6	567.4

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2816.9 -15.6	2963.5 -1.0	1368.48 -5.39

	Jan 28	Day's change %	Jan 27	Jan 26	Jan 25	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2816.9	-0.6	2832.5	2835.7	2771.9	2550.8	6.31	4.34	20.38	3.43
FT-SE Mid 250	2963.5	—	2964.5	2951.8	2904.2	2460.7	7.02	4.37	18.01	5.10
FT-SE-A 350	1387.1	-0.4	1393.3	1393.3	1363.6	1233.6	6.46	4.35	19.83	1.85
FT-SE SmallCap	1472.27	+0.3	1468.26	1456.58	1437.10		5.62	4.34	24.64	1.56
FT-SE SmallCap ex Inv Trusts	1483.97	+0.3	1478.98	1470.30	1447.91		6.23	4.59	22.97	1.77
FT-A ALL-SHARE	1368.48	-0.4	1373.87	1373.49	1344.87	1218.86	6.41	4.34	20.07	1.82
1 CAPITAL GOODS(211)	908.19	+0.2	906.09	901.20	884.48	786.71	6.23	4.74	21.02	1.27
2 Building Materials(27)	933.18	-0.9	941.51	931.52	901.70	951.27	5.47	5.76	26.02	0.77
3 Contracting, Construction(29)	768.37	+1.5	757.23	742.66	720.47	856.37	3.31	6.33	60.00†	0.26
4 Electricals(14)	2692.55	-0.2	2698.95	2670.89	2576.25	2463.42	6.01	5.39	21.85	1.02
5 Electronics(35)	2425.15	+0.2	2420.77	2408.99	2366.22	1782.09	6.52	3.52	19.40	13.48
6 Engineering-Aerospace(7)	331.15	+3.5	319.94	320.90	318.03	331.16	10.69	7.08	11.92	0.00
7 Engineering-General(52)	530.32	-0.2	531.59	530.60	523.80	465.54	7.63	4.49	16.75	0.58
8 Metals & Metal Forming(11)	356.16	+1.3	351.54	346.60	341.26	333.10	4.92	3.71	29.70	0.14
9 Motors(18)	395.18	+0.8	392.23	389.87	380.99	299.17	5.01	5.93	29.36	0.00
10 Other Industrials(18)	2025.13	+0.2	2021.52	2019.97	1993.61	1807.81	6.14	4.20	19.77	0.39
21 CONSUMER GROUP(232)	1714.85	-0.5	1723.34	1728.44	1702.55	1650.27	6.82	3.43	16.25	2.65
22 Brewers and Distillers(28)	1961.20	-1.4	1988.85	2000.82	1951.01	2070.74	8.59	3.87	14.10	16.14
25 Food Manufacturing(22)	1361.52	-0.5	1368.83	1359.80	1352.54	1247.22	7.73	3.83	16.17	1.48
26 Food Retailing(18)	3427.94	+0.7	3403.15	3404.56	3318.78	2533.54	7.54	2.97	17.26	0.41
27 Health & Household(29)	3041.41	-0.5	3058.80	3073.29	3085.10	4498.53	5.65	2.87	20.65	0.54
29 Hotels and Leisure(20)	1306.35	-0.1	1308.31	1316.02	1282.82	1256.10	6.43	5.26	20.47	6.25
30 Media(33)	1864.33	+0.3	1858.59	1848.37	1813.01	1487.07	5.45	2.79	22.86	0.94
31 Packaging and Paper(23)	814.01	+0.4	810.99	802.40	788.47	758.14	8.57	3.99	18.78	0.21
34 Stores(36)	1110.69	-1.3	1125.76	1137.24	1117.44	1011.96	6.47	3.26	20.53	0.98
35 Textiles(20)	757.20	-0.2	758.95	755.41	748.40	806.82	8.50	4.10	10.47	0.00
40 OTHER GROUPS(143)	1461.86	-0.3	1466.43	1461.53	1431.83	1214.14	6.36	4.75	14.70	3.84
41 Business Services(27)	1602.68	-0.2	1605.76	1598.26	1557.10	1366.49	5.60	3.21	22.04	6.14
42 Chemicals(24)	1468.36	-0.4	1474.54	1468.46	1439.57	1474.77	6.24	4.86	20.20	0.30
43 Conglomerates(11)	1464.86	+0.2	1462.04	1466.04	1421.93	1290.72	7.27	7.29	15.71	1.83
44 Transport(16)	2833.12	-0.2	2838.54	2849.66	2792.89	2407.38	7.95	4.16	15.12	1.84
45 Electricity(16)	1577.85	-0.4	1584.36	1564.61	1587.72	1210.07	13.74	4.82	9.36	10.54
46 Telephone Networks(4)	1866.71	—	1867.21	1876.24	1832.58	1391.81	7.90	4.06	16.46	1.56
47 Water(13)	3203.14	-0.3	3212.20	3198.76	3162.76	2380.91	14.14	5.53	7.85	11.83
48 Miscellaneous(32)	2474.38	-1.3	2508.18	2512.25	2449.71	1835.21	5.84	4.15	21.20	0.38
49 INDUSTRIAL GROUP(586)	1436.79	-0.3	1441.28	1440.26	1415.18	1293.99	7.24	4.12	17.24	2.45
51 Oil & Gas(18)	2191.66	-1.2	2219.40	2214.02	2141.76	2162.10	6.09	5.82	21.58	0.00
59 "500" SHARE INDEX(604)	1509.35	-0.4	1515.48	1514.17	1485.47	1372.47	7.13	4.29	17.59	2.31
61 FINANCIAL GROUP(89)	927.25	-0.4	930.96	934.72	904.57	728.69	2.95	4.88	72.79	0.06
62 Banks(9)	1283.27	-0.6	1291.50	1301.54	1256.81	873.12	4.70	4.60	32.10	0.00
65 Insurance (Life)(6)	1846.48	-0.2	1851.02	1844.33	1773.36	1423.03	2.74	4.92	64.33	0.00
66 Insurance (Composite)(7)	632.10	-0.8	637.49	649.67	631.84	515.38	‡	4.77	‡	0.00
67 Insurance Brokers(10)	824.95	+1.7	810.79	804.14	787.59	1003.59	7.35	5.47	18.28	0.00
68 Merchant Banks(6)	548.03	+0.1	547.45	538.31	525.37	470.37	7.80	4.17	16.86	0.00
69 Property(28)	670.60	+0.3	668.81	669.76	643.32	796.20	8.37	5.31	15.46	0.62
70 Other Financial(23)	319.97	+0.4	318.71	316.39	305.77	240.18	6.77	5.27	18.43	0.65
71 Investment Trusts(107)	1365.41	—	1365.43	1356.30	1333.60	1182.56	2.43	3.08	41.12	2.21
99 FT-A ALL-SHARE(800)	1368.48	-0.4	1373.87	1373.49	1344.87	1218.86	6.41	4.34	20.07	1.82

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2820.9	2829.3	2834.0	2822.5	2819.5	2816.4	2819.7	2820.6	2817.5	2836.0	2815.7
FT-SE Mid 250	2966.9	2962.7	2967.4	2964.2	2963.6	2961.3	2961.9	2963.3	[illegible]	2968.2	2960.7
FT-SE-A 350	1384.4	1391.9	1394.2	1389.8	1388.2	1386.7	1388.0	1388.4	1387.4	1394.9	1386.6

Gross dividend yield (ACT at 25%) FT-SE 100 4.34%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1502.6	1519.2	1525.6	1532.5	1529.8	1528.1	1528.1	1526.8	1524.9	1524.9	1498.0	+26.9
Health & H	1184.9	1188.7	1187.3	1183.1	1185.6	1184.6	1185.1	1187.4	1187.2	1187.2	1193.8	-6.6
Water	1325.5	1324.4	1326.4	1321.8	1317.8	1318.2	1318.3	1321.0	1323.4	1323.2	1326.8	-3.6
Banks	1558.6	1569.3	1573.9	1568.9	1564.1	1563.9	1563.6	1560.4	1560.2	1558.4	1568.3	-10.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
10pc 1993‡‡		100⅜		101⅞	99⅛	9.92	[illegible]
12½pc 1993‡‡		103⅛		104⅞	100⅞	12.12	[illegible]
Funding 6pc 1993‡‡		100⅛		100⅞	95⅞	5.99	[illegible]
Treas 13¼pc 1993‡‡		[illegible]	[illegible]	107⅝	103⅛	12.84	[illegible]
8½pc 1994		102⅛	[illegible]	102⅞	96⅞	8.28	[illegible]
14½pc 1994‡‡		108⅝	[illegible]	110⅞	104⅞	13.31	[illegible]
[illegible]							

BRITISH FUNDS - Cont. [illegible]

BRITISH FUNDS - Cont. [illegible]

OTHER FIXED INTEREST [illegible]

Continued on next page

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (121). BRITISH FUNDS (4) Treas 9pc '03, Fd 3½pc '99-04, Treas 2½pc IL '01, Treas 2½pc IL '03. OTHER FIXED INTEREST (4) [illegible] AMERICANS (3) [illegible] BANKS (3) [illegible] BREWERS (1) [illegible] BUSINESS SERVS (4) [illegible] CHEMICALS (5) [illegible] ELECTRICALS (3) [illegible] ELECTRONICS (13) [illegible] ENGINEERING [illegible] FOOD MANUF [illegible] HEALTH & HSEHLD [illegible] HOTELS & LEIS [illegible] INSCE BROKERS [illegible] INSCE COMPOSITE [illegible] INSCE LIFE [illegible] INV TRUSTS [illegible] MEDIA [illegible] MERCHANT BANKS [illegible] MISC [illegible] MOTORS [illegible] OIL & GAS [illegible] OTHER FINCL [illegible] PACKG, PAPER & PRINTG [illegible] PROP [illegible] STORES [illegible] TELEPHONE NETWORKS [illegible] TEXTILES [illegible] TRANSPORT [illegible] PLANTATIONS (1) [illegible]
NEW LOWS (8). CANADIANS (2) [illegible] BREWERS (2) [illegible] GEN (1) [illegible] INV TRUSTS (2) [illegible] STORES (1) [illegible]

EQUITY FUTURES AND OPTIONS TRADING

TRADERS OF stock index futures reported a dull session after an early squeeze petered out; leaving the market to drift gently lower, writes Joel Kibazo.

The first trade in the March contract on the FT-SE 100 was struck at 2,840, well below Wednesday's close of 2,854. But following a brief lull a squeeze developed as traders moved to cover short positions and the contract quickly moved ahead to 2,858.

That strong demand ran out of steam mid-morning and thereafter March drifted lower, mainly due to a lack of trading activity, and helped to pull the underlying cash market down.

March fell to the day's low of 2,829 over the lunch-time period and continued to drift during the rest of the afternoon, although a few bargain hunters were seen ahead of the close.

The contract ended at 2,836, down 18 from its previous close and around 13 points above its estimated fair value premium to cash of about 6. The lack of activity was clearly reflected in the turnover, which was a mere 6,299 contracts.

In traded options, volume returned to more modest levels, reaching 29,033 lots. The FT-SE 100 option had 5,176 contracts traded. Asda was the most active among the stock options, with big selling of both the July 70 puts and the July calls. The closing total for Asda was 5,303.

AMERICANS

Notes	Price £	+ or −	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	17½xd	−¼	21¼	14⅝	18,012	2.1
Allegheny & W.	433p	—	457p	226p	225.0	4.4
Amdahl	527p	+30	2150p	438p	591.8	1.2
Amer Cyanamid	34⅛	−⅛	39⅝	28⅞	3,078	3.0
Amer Express	15⅛xd	-	16⅝	10⅛	7,230	4.2
Amer T & T	35xd	+⅜	38¾	20⅛	40,546	2.4
Ameritech	48¼	+⅜	49	32½	21,125	4.6
BankAmerica	34½xd	-	35⅛	19⅛	11,887	2.4
Bankers NY	44¾xd	−⅛	46⅛	28⅝	3,546	4.4
Bell Atlantic	34½	+⅛	34⅝	23⅛	14,836	4.7
BellSouth	34⅝	−⅛	35½	25	17,215	5.0
Bethlehem Steel	12½xd	+⅜	12½	5¼	1,121	–
Bowater	1384pxd	+12	1637p	905p	881.5	5.6
CPC h	21¼xd	—	34	22⅛	4,733	2.4
Cadiz Land Inc	115p	—	342p	108p	–	–
California Engy	1358p	—	1358p	591p	246.5	–
Chase Manhattan	19⅞xd	+7/16	19⅞	9⅛	3,063	3.8
Chrysler	25⅝xd	−¼	28⅛	8¼	7,804	1.5
Citicorp	17⅞xd	+½	17⅞	8⅞	6,374	–
Colgate-Palm	37¼xd	+¼	43⅛	25¼	5,947	2.1
Cont'l Bank	1463p	+31	1463p	499p	1,466	2.5
Dana	30⅞xd	−1⅛	32⅞	14⅞	1,419	3.3
Data General	750p	+4	1004p	384p	289.2	–
Decora Inds.	146p	—	146p	66p	–	–
Dun & Brad	40½	+1¼	48½	27⅞	7,215	3.6
Eaton	41⅝	+1	54½	32½	1,765	2.7
Echlin	16⅝xd	−⅛	18¼	7⅞	952.8	2.7
FPL	24⅛xd	+⅛	24⅞	17⅞	4,382	6.5
Ford Motor	21⅛xd	−½	31⅞	15	15,192	2.0
Gen Elect	55⅞xd	−⅛	57⅞	38¼	47,559	2.9
General Host	634p	+24	634p	380p	–	3.6
Gillette	35⅛xd	−⅝	40	23⅞	7,718	1.3
Hasbro	20⅞	—	29½	12⅞	1,815	0.6
Honeywell h	21⅝	−⅛	22⅞	16	2,973	2.8
Houston Inds	30⅝	+¼	30⅞	22	3,808	8.2

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

MINES - Cont.

METALS & METAL FORMING

TEXTILES

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

MEDIA

WATER

OTHER INDUSTRIALS

SOUTH AFRICANS

STORES

PLANTATIONS

MOTORS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrealised ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).

● "Tap Stock"

• Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

‡‡ Tax-free to non-residents on application

♦ Figures or report awaited

♦ Not officially UK listed; dealings permitted under rule 535(4)(a)

♣ Free annual/interim report available, see details below.

☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	156.0	157.6	165.9	-0.10	0.00
AIB Grofund Equity	5	204.7	206.9	220.1	-0.40	3.19
AIB Grofund Euro	5	149.2	151.4	159.3	-1.20	0.09
AIB Grofund Eqt Balanced	3	98.92	100.7	103.9	...	2.53
AIB Grofund Gilt	3	76.11	76.14	70.49	-0.05	5.29
AIB Grofund Japan	5	122.2	123.5	130.0	+3.10	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corporation St, Coventry 0203 553231						
General Inc	5	406.0	597.6	433.7	-1.4	2.71
General Acc	5	442.1	443.9	472.3	-1.5	2.71
UK Growth Acc	6	298.8	303.0	322.4	-1.3	3.05
UK Growth Inc	6	214.2	217.2	231.1	-0.9	3.05
Higher Inc Acc	6	528.2	535.8	570.0	-2.4	4.30
Higher Inc Inc	6	325.8	330.5	351.7	-1.3	4.30
Gilts/Fxd Int Acc	5½	170.4	170.4	179.9	-0.3	6.69
Gilts/Fxd Int Inc	5½	91.79	91.79	96.94	-0.22	6.69
Nth America	6	257.1	262.5	279.3	-3.4	0.00
Far East	6	236.8	238.0	251.2	+3.1	0.28
Europe	6	203.1	204.0	217.1	+1.3	1.16
Brit Excell	6	61.88	61.88	65.83	-0.34	3.14
Brit Fndmtls Acc	6	80.45	80.45	85.59	-0.33	5.28
Brit Fndmtls Inc	6	63.15	63.15	67.18	-0.26	5.28
Global Opps	6	64.73	66.02	70.24	[illegible]	[illegible]
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Gilts & Fixed Int	6	128.5	128.5xd	136.2		6.96
High Inc Equity	6	142.5	145.4xd	154.6	+0.1	5.50
Worldwide Bond	6	255.9	255.9	271.2	+0.3	4.61
American Growth	6	283.8	283.8xd	303.5	-0.8	.48
Asian Pacific	6	188.0	191.8	204.0	-2.1	.94
Britannia Life Unit Managers Ltd (1200)F						
50 Bothwell Street, Glasgow G2 6HR 041-223 [illegible]						
Balanced Growth	6	90.17	91.14	97.48	-0.27	[illegible]
Do (Accum)	6	98.45	99.51	106.43	-0.29	[illegible]
Smaller Cos	6	73.01	73.90	79.04	+1.19	[illegible]
Do (Accum)	6	78.95	79.91	85.47	+1.29	[illegible]
Higher Yield	6	56.03	56.40xd	38.93	-0.09	[illegible]
Do (Accum)	6	49.16	49.66	53.12	-0.13	[illegible]
American Gth Inc	6	54.15	54.33	58.10	-0.10	[illegible]
Do (Accum)	6	55.10	55.36	59.21	-0.10	[illegible]
European Growth	6	90.20	90.55	48.04	+0.24	[illegible]
Do (Accum)	6	91.16	91.16	97.50	[illegible]	[illegible]
Global Bond Inc	6	28.23	28.23xd	29.95	+0.05	[illegible]
Do (Accum)	6	54.60	34.69	36.81	+0.06	[illegible]
Managed P'folio Inc	6	32.40	32.48	34.73	+0.10	[illegible]
Do Accum	6	32.49	32.57	34.04	+0.10	[illegible]
Pacific Growth Accum	6	80.58	81.59	87.13	[illegible]	[illegible]
Intl Spec Opps Accum	6	78.48	79.02	85.16	+0.74	[illegible]
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412 [illegible]						
Mngd P'folio Inc	6	87.47	87.47	95.16	-0.24	[illegible]
Mngd P'folio Acc	6	163.8	163.8	174.4	-0.50	[illegible]
UK General	6	143.0	141.4	153.0	+0.80	[illegible]
Conv & General	6	18.82	18.82xd	20.14		[illegible]
European Inc	6	21.51	21.51	23.16	-0.06	[illegible]
European Acc	6	22.22	22.22	23.92	-0.06	[illegible]
Financial	6	107.0	107.0	114.0	-0.60	[illegible]
Foundation	6	70.07	71.64	76.30	-0.14	[illegible]
German	6	38.66	38.86	41.67	-0.11	[illegible]
Growth Inc (5-1)	5	27.42	27.42	29.27	-0.15	[illegible]
Growth Acc (5-1)	5	31.93	31.93	34.08	-0.18	[illegible]
High Income	6	69.72	70.50	75.44	-0.16	[illegible]
Income	6	116.9	121.0	129.5	+0.20	[illegible]
Intl Income	6	86.04	86.04xd	91.63	+0.52	[illegible]
Intl Growth ♣	6	31.99	31.99	34.07	.	[illegible]
Monthly Income	6	66.84	68.84	73.31	-0.01	[illegible]
North American	6	105.2	106.3xd	113.2	-1.50	[illegible]
Orient ♣	6	93.68	93.68	100.8	+1.65	[illegible]
Recovery	6	32.91	34.39	56.97	+0.03	[illegible]
Smaller Cos Acc	6	233.1	249.5	265.7	-0.90	[illegible]
Smaller Cos Inc	6	136.5	146.1	155.6	-0.30	[illegible]
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 [illegible]						
Income Growth	1	188.7	188.7	195.8		[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may *not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.* The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	665.8	708.4	+5.7	-
Adventurous Mngd.	160.5	370.8	-0.2	-
Cautious Mngd	125.4	133.5	+0.1	-
Cash Fd	316.6	333.7	....	-
Property Fund	216.7	230.6	....	-
Equity Fund	759.7	808.2	-1.1	-
Fxd Int. Fund	409.2	431.2	+1.2	-
International	335.2	356.7	+0.2	-
High Income	592.2	630.1	+3.7	-
Far East	441.5	469.7	+2.6	-
North American	457.0	486.2	-1.7	-
Special Sits	547.5	582.5	+0.4	-
Technology	468.1	498.0	-0.8	-
Extra Inc Fd	323.3	343.8	-0.2	-
Convertible & Gilt Fd	155.5	165.5	+0.3	-
American Income	181.7	193.3	+0.2	-
Gilt Fund 20	443.1	471.4	-0.6	-
European Fund	120.3	128.0	-0.3	-
Pref & Fixed Int.	112.0	139.2	....	-
UK Blue Chip	117.6	124.0	+0.1	-
Recovery Fund	115.7	122.0	+0.4	-
Equity Income Dist.	106.9	113.8	....	5.05
Managed Dist.	100.8	107.3	+0.1	5.68
High Yield Dist.	103.5	109.3	....	8.62
Pension Funds				
Balncd Gth Mgd Pens Acc.	772.6	813.3	+2.1	-
Adventurous Mgd Pen Acc.	169.5	178.5	+0.4	-
Cautious Mngd Pens Acc.	145.1	152.8	+0.1	-
Building Soc. Acc.	365.1	384.4	....	-
Property Pens. Acc.	295.4	311.0	....	-
Fix Int. Pens. Acc.	643.3	677.2	+1.0	-
Equity Pens. Acc.	984.5	1036.4	+5.1	-
International Pens Acc.	310.8	327.2	+0.4	-
High Inc Pens Acc.	666.3	701.4	....	-
Tech Pens Acc.	329.5	346.9	-5.5	-
N American Pens Acc.	350.9	369.4	+2.7	-
Far Eastern Pens Acc.	443.6	467.0	+0.9	-
Special Sits Pens Acc.	451.1	474.9	+1.1	-
Extra Income Pens Fd.	397.0	417.9	-0.3	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302

	Bid Price
Life Funds	
JRA/M&G Managed	115.9
JRA/Central Associates Mngd	112.6
JRA/St James's Place Mngd	118.8
Deposit	100.4
Far East	113.3
Gilts	105.5
Greater European	112.1
North American	130.0
US Equity	117.8
Pension Funds	
JRA/M&G Managed cap.	114.0
JRA/M&G Managed acc.	117.9
JRA/Central Associates Mngd cap	112.1
JRA/Central Associates Mngd acc	116.0
JRA/St James's Pl Mngd cap	123.5
JRA/St James's Pl Mngd Acc	128.0
Deposit cap	100.2
Deposit acc.	103.7
Far East cap.	109.1
Far East acc.	113.0
Gilts cap	103.0
Gilts acc.	106.6
Greater European cap	112.2
Greater European acc.	116.2
North American cap	128.7
North American acc.	133.2
UK Equity cap.	117.8
UK Equity acc.	121.9

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG

593 0

	Bid Price
Multi Gwth	
Multi Gwth A Cap	388.1
Multi Gwth A Accum	593.8
Op Prop	408.6
Op Equity	863.9
Op High Yld	505.7
Op Man	694.3
Op Dep	369.9
Op Inc Dist	202.0

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Grss
John Govett Management (IoM) Ltd				
Dlr Gavett Cur NAV Jan 22		$16 19		-
Paragon Plus Red Jan 4		£9 99		-
Paragon Stlg Red Jan 4		£11 32		-
SE Asian Wrt NAV Jan 21		$9 81		-
Govett Mgd Fsre Jan 22	£15.94	15 25		-
Govett Mngd Futrs Jan 22	$9 85	10 77		-
Max Horizons Inv Jan 21		$13 96		-
Max Horizons Inv Wrts Jan 21		$8 06		-
Dlr Govett Bd Jan 22		$7 29		-
IBI Global Funds Limited				
Intl Stlg Gwth	£20.86	21 96		-
Intl $US Gwth	$10 22	19 19		-
High Income Gilt	£25 76	26 70		-
International Equity	£21 38	22 52		-
International Bond	£23 39	24 19		-
Managed Currency	£27 77	28 06		-
Sterling Currency	£26 72	27 00		-
US$ Currency	$37.84	38 23		-
Irish £ Currency	I£15 55	15 72		-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11 08	11 55		
B.F. Offshore Inc Fd Ltd	£11 59	12 08		-
Target International (Isle of Man) Ltd				
IMG Offshore Fd	£9.65	10.44		-
Nelson Wilkes W/W 525	£10 91	11 16		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£- 21.1070	21.3060		-
Managed Capital Bd	5		I£- 21 5859	21.6135		-
AIB Gowfund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11 0565		

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sudden pressure on franc

THE DOLLAR, the French franc and sterling all recovered ground against the D-Mark in European trading yesterday afternoon after a sudden surge of tension inside the European exchange rate mechanism earlier in the day, *writes James Blitz.*

A strong wave of selling of the Irish punt raised fears that the ERM might be de-stabilised by another devaluation, and this triggered pressure oo the French franc in the early morning.

The French currency fell by more than a centime against the D-Mark in the first hours of London trading, bottoming out at FFr3.3950. Three-month French cash was quoted et between 12¾ per cent and 13¼ *per cent, nearly a full point* above its level on Wednesday night.

Sterling also came under *pressure, falling* as low as DM2.38 agaiost the German currency by midday, a level nearly 2 pfennige under its close oo *Wednesday. The Irish* punt continued to trade below its ERM floors against the Belgian franc and Dutch guilder, *in the wake of Britain 100 basis* point cut in base rates on Tuesday.

Several factors triggered a recovery in the afternoon.

The first was an annualised 3.8 per cent rise in fourth quarter GDP in the US, compared to 3.4 per cent in the third quarter. The figure took the shine off the D-Mark, pushing the dollar up to a London close of DM1.5855, a full pfennig above its lows of the day.

President Bill Clinton helped the dollar bulls by saying *before a meeting yesterday* with the Federal Reserve chairman that growing redundancies at major corporations were increasingly troubling. This encouraged the theory that he will introduce e fiscal boost to the economy, possibly compensated by higher interest rates.

Mr Helmut Schlesinger, the Bundesbank president, eased *tensions by saying in Brussels* that he hoped Germaan inflation would be at 3 per cent this year.

*This was seeo by some ana*lysts es a more emollient stance oo inflation, although a 3 per cent target for the end of 1993 has already been given by Bundesbank council members.

Both events helped the franc to recover to a close of FFr3.385 by the European close. Sterling also rose to a close of DM2.4050, up ¾ of a pfennig on the day. Against the dollar it was stronger at $1.5165.

The Irish punt was still below its floors against the Belgian franc and Dutch guilder after ERM trading officially closed at 4 pm yesterday.

Mr Avinash Persaud, of UBS Phillips and Drew, in London said that the punt's 20 per cent overvaluetion egainst the D-Mark was unsustainable. But Ireland's resistance to devaluation may be helped by EC redevelopment grants amounting to £270m this year.

"This allows Irish exporters to enjoy a dual exchange rate structure, helping them endure cuts in profit margins," he said.

£ IN NEW YORK

Jan.28	Latest	Previous Close
£ Spot	1.5135-1.5145	1.5100-1.5110
1 month	0.40-0.39pm	0.41-0.39pm
3 months	1.16-1.13pm	1.13-1.12pm
12 months	3.25-3.15pm	3.20-3.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Floating rate. Iran Official rate £99.95 $66.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	139.022	-3.04	3.98	47
Portuguese Escudo	182.194	176.716	-3.01	3.94	44
Belgian Franc	40.6304	40.0859	-1.34	2.18	41
Dutch Guilder	2.21958	2.19084	-1.29	2.14	39
D-Mark	1.96992	1.94655	-1.19	2.03	45
French Franc	6.60683	6.60387	-0.04	0.86	-25
Danish Krone	7.51410	7.52613	0.16	0.65	-30
Irish Punt	0.735334	0.741327	0.82	0.00	-59

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

POUND - DOLLAR

Estimated volume 17,837 † Total Open Interest 459,651
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	8	Northern Bank Ltd	7
●Henry Ansbacher	6	Exeter Bank Limited	8	Nykredit Mortgage Bnk	6.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	6
Bank of Baroda	6	●Robert Fleming & Co	8	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	8	●Smith & Williamson Secs	8
Bank of Ireland	6	Habib Bank AG Zurich	8	Standard Chartered	8
Bank of India	8	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	6	Heritable & Gen Inv Bk	7	●United Bk of Kuwait	8
Brit Bk of Mid East	6	●Hill Samuel	6	Unity Trust Bank Plc	6
●Brown Shipley	6	C. Hoare & Co	8	Western Trust	6
CL Bank Nederland	6	Hongkong & Shanghai	8	Whiteaway Laidlaw	6
Citibank NA	6	Julian Hodge Bank	6	Yorkshire Bank	6
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	8		
Coutts & Co	6	McDonnell Douglas Bk	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

French cash rates rise

INTEREST rates in the French franc cesh merket firmed sharply yesterday morning as tensioos in the Europeao exchange rate mechanism triggered a sudden burst of pressure oo the French currency, *writes James Blitz.*

Uotil yesterday, there had beeo a strong feeling in the market that the Bank of *France would use the renewed* calm in the ERM to cut its official interest rates.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, as the franc fell to FFr3.950 against the D-Mark, dealers wondered whether the Bank might have to push its overnight lending rate above 12 per cent at its regular Thursday intervention.

In fact, the Bank left its rates unchanged. But 3-month cash was quoted at between 12¾ per cent and 13¼ per cent, its highest since the currency crisis of last September.

There was also another sharp *fall in the March French* franc futures contract as dealers reined in predictions of a sharp easing in German – and hence French – monetary policy before the spring.

The March contract dropped 40 basis points to 88.60, but later rebounded to 88.68. One dealer said the fall might have been greater had protesting car workers not invaded the Paris Bourse, bringing an early close to trading in the Matif.

The market is now pricing 3-month French franc interest rates in mid-March at 11.32 per cent, e remarkably high level given yesterday's figure for consumer price inflation to December of 2.0 per cent.

One interesting feature of yesterday's trading was how the March Euromark contract rose 8 basis points, closing at 92.01, as the French franc futures came down. Traders seemed to be saying that the more pressure there is on the franc, the more likely it is that the Bundesbank will ease policy.

The 15 basis point cut in the Bundesbank's repo rate earlier this month still convinces the market that the Bundesbank will do its utmost to avoid a devaluation of the franc or suspension of the ERM.

In the sterling market, cash rates eased slightly as a large shortage of £1.8bn was easily removed by the market.

The interbank market may not have taken on board the need to push rates down to levels compatible with 6 per cent base rate. Three month money dropped by 1/32 per cent to 6¼ per cent. The 1 year rate dropped by about 1/16 per cent to 6 per cent exactly.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.28) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime

Prime rate	6	One month	
Broker loan rate	5	Two month	
Fed.funds	2⅞	Three month	
Fed.funds at intervention	-	Six month	
		One year	
		Two year	

Jan.28	Overnight	One Month	Two Months
Frankfurt	8.55-8.65	8.55-8.65	8.45-8.60
Paris	12-12⅛	12⅞-13⅛	-
Zurich	5⅛-5⅜	5⅛-5⅜	-
Amsterdam	8.43-8.50	8.38-8.45	-
Tokyo	3⅛-3⅜	3⅛-3⅛	-
Milan	12¼-12½	12⅛-12¼	-
Brussels	8⅛-8⅛	8⅛-8⅛	-
Dublin	90-110	80-100	25-35

LONDON MONEY RATES

Jan 28	Overnight	7 days notice	One Month
Interbank Offer	7⅛	6⅜	6½
Interbank Bid	3	6⅛	6¼
Sterling CDs	-	-	6⅜
Local Authority Deps.	6⅜	6½	6⅜
Local Authority Bonds	-	-	-
Discount Mkt Deps	5½	6⅛	-
Company Deposits	-	-	-
Finance House Deposits	-	-	6⅜
Treasury Bills (Buy)	-	-	5⅞
Bank Bills (Buy)	-	-	5⅞
Fine Trade Bills (Buy)	-	-	-
Dollar CDs	-	-	3.05
SDR Linked Dep. Offer	-	-	5½
SDR Linked Dep. Bid	-	-	5⅜
ECU Linked Dep. Offer	-	-	9⅜
ECU Linked Dep. Bid	-	-	9½

Treasury Bills (sell): one-month 5⅞ per cent; three months ... Bank Bills (sell): one-month 5⅞ per cent; three months ... Tender rate of Discount 6.1067. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1993. Agreed rates for period February 24, 1993 to ... Schemes II & III: 8.20 p.c. Reference rate for period January ... Scheme IV&V: 7.0 p.c. Local Authority and Finance House seven days notice, others seven days fixed. Finance Houses Base Rate 7½ from January 1, 1993. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 3½ per cent; one-three months 6 per cent; three-six months 5½ per cent; six-nine months 5 per cent; nine-twelve months 5 per cent; Under £100,000 3¼ per cent from Nov.16, 1992. Deposits withdrawn for cash 1¼ per cent.

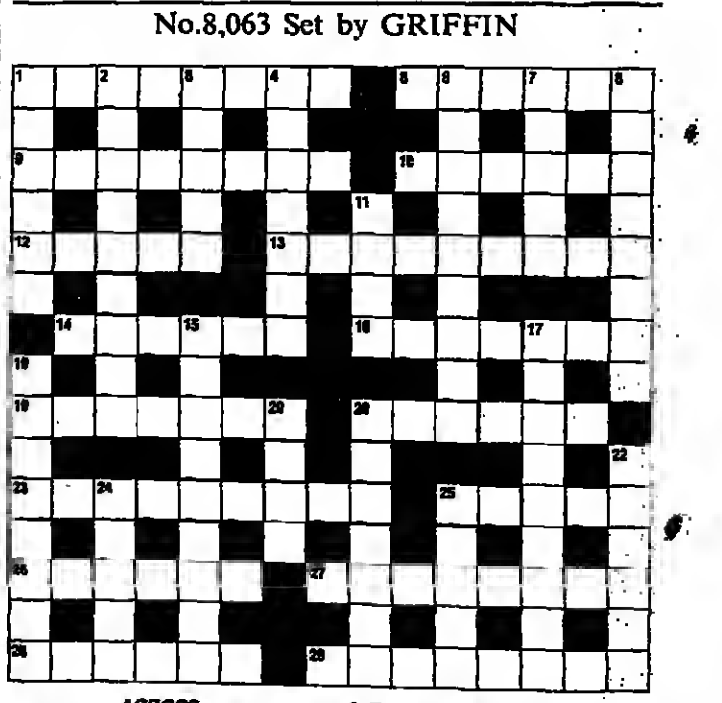
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,063 Set by GRIFFIN



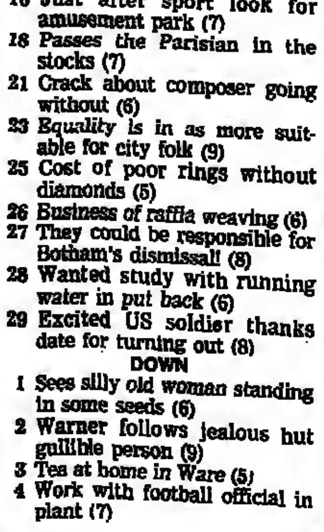
ACROSS

1 Give way to e large town, showing wisdom (8)
5 I get in awkwardly, heing light (6)
9 Sample the mixed spice, chaps (8)
10 Excite with tablet if retiring (6)
12 Some woman I accused of madness (5)
13 Unaware old boy left four promissory notes (9)
14 Force Frenchmen to exercise in the saddle (6)
16 Just after sport look for amusement park (7)
18 Passes the Parisian in the stocks (7)
21 Crack about composer going without (6)
23 Equality is in as more suitable for city folk (9)
25 Cost of poor rings without diamonds (5)
26 Business of raffle weaving (6)
27 They could be responsible for Botham's dismissal (8)
28 Wanted study with running water in pot back (6)
29 Excited US soldier thanks date for turning out (8)

DOWN

1 Sees silly old woman standing in some seeds (6)
2 Warner follows jealous but gullible person (9)
3 Tea at home in Ware (5)
4 Work with football official in plant (7)
6 Eveo cigar is not good for complaint (9)
7 I look round froot garden and round someone's home (5)
8 Former Italian banker certain to make public appearance (8)
11 Music symbol in Uncle Fred's writing (4)
15 Please toss can in here (9)
17 Are going to court about requisition by planner (9)
18 Tea without milk for clergyman (8)
20 Mortuary table Jack put behind empty school (4)
21 Sunning oneself on Brighton front's inviting (7)
22 Stopped journalist following bizarre case (6)
24 Anger fellow holding firearm (5)
25 Rising to cheek guide? (5)

Solution to Puzzle No.8,062



WORLD STOCK MARKETS

INDICES

NEW YORK

	Jan 22	Jan 15	Jan 8	year ago (approx.)
Dow Industrial Div. Yield	3.18	3.17	3.19	2.87

	Jan 20	Jan 13	Jan 6	year ago (approx.)
S & P Industrial div. yield	2.60	2.59	2.58	2.78
S & P Indl. P/E ratio	26.62	26.70	26.85	23.24

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Dr Pepper	8,822,700	16⅞	---
Amer Express	5,324,200	23	⅛
Paragon	4,784,000	22¼	...
Merck	4,238,200	40¼	+ ⅛
Citicorp	4,000,600	26⅜	+ ¼
Tucson	3,734,500	3¼	- ⅛
IBM	3,307,700	49⅝	+ ⅝
Calif Fed	3,101,700	3½	+ ½
Boeing	3,073,800	34⅝	- ⅞
Duracell	2,890,600	33⅜	- 1⅛

TRADING ACTIVITY

† Volume Millions	Jan 27	Jan 20	Jan 26
New York SE	276.880	311.410	283.711
Amex	16.985	23.389	19.731
NASDAQ	238.211	252.195	264.590
NYSE			
Issues Traded	2,457	2,441	2,448
Rises	706	1,091	1,346
Falls	1,179	821	636
Unchanged	572	529	466
New Highs	99	186	197
New Lows	22	19	14

CANADA

TORONTO	Jan 27	Jan 26	Jan 25	Jan 22	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2806.21	2778.76	2799.27	2777.67	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3311.64	3312.80	3295.60	3275.97	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1750.19	1751.17	1735.67	1725.40	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

WORLD INDICES

	Jan 28	Jan 27	Jan 26	Jan 25	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1526.7	1534.8	1529.2	1523.4	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	591.5	599.4	595.9	592.4	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	319.5	318.63	311.59	306.69	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	763.46	760.97†	743.71	728.19	1099.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1180.88	1178.45	1178.30	1169.45	1235.40 (2/6/92)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	281.27	280.95	279.63	279.34	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	862.7	872.6	866.6	856.4	935.90 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	471.25	475.12	475.57	481.25	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1780.64	1777.35	1792.55	1779.90	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	612.20	613.87	616.27	617.50	725.26 (26/5/92)	566.61 (12/10/92)
Commerzbank (1/12/53)	1733.90	1739.80	1746.5	1750.5	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1567.84	1562.32	1576.16	1569.24	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5804.5	5939.89	5923.73	(c)	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1255.17	1264.33	1222.12	1231.39	1469.57 (17/1/92)	1094.88 (9/10/92)
ITALY						
Banca Com. Ital. (1972)	478.02	480.38	473.09	472.09	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1055.0	1061.0	1045.0	1042.0	1078.00 (19/1/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17063.41	16509.68	16492.63	16287.45	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1291.87	1260.10	1256.91	1250.06	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1662.25	1654.24	1651.72	1656.35	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	618.41	624.89	626.34	(c)	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	297.6	297.4	297.8	297.1	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	200.3	200.1	200.4	200.0	215.50 (26/5/92)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	673.48	669.93	673.90	677.39	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1340.90	1324.34	1317.31	1340.14	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	403.17	402.06	404.31	(c)	416.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	875.0♥	844.0	839.0	809.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4512.0♥	4507.0	4508.0	4518.0	4689.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	687.79	694.57	702.50	707.61	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	229.57	231.75	233.23	230.10	266.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	879.10	898.00	896.2	892.4	1014.50 (11/5/92)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	915.9	913.1	922.1	921.3	938.10 (5/1/93)	748.50 (8/1/92)
SBC General (1/4/87)	696.6	695.0	701.0	699.1	704.00 (22/1/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3293.01	3283.09	(c)	(c)	5391.63 (30/1/92)	3088.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	974.54	983.41	987.97	998.44	998.44 (25/1/93)	667.84 (9/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	498.9*	496.2	498.7	497.3	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	873.02	875.72	882.93	874.54	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday January 23: Taiwan Weighted Price: (c), Korea Comp Ex. (c).
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Thursday, 28 January, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motor	15.0m	364	+14	NPN Steel Corp	4.2m	297	+11
Sasebo Hvy Ind	6.4m	543	+10	Green Cross	3.3m	1,200	+60
Mitsui Eng	6.0m	387	+20	NKK	3.0m	256	+13
Hitachi Zosen	4.9m	518	+20	Hitachi	2.8m	710	+14
Oki Elec	4.5m	386	+11	Kawasaki Steel	2.7m	269	+8

3:15 pm January 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 - 93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10¼	AAR Corp x	0.48	4.0	22	141	12⅛	11⅞	12	+⅛
28½	16	A L Labs A	0.18	0.7	164	210	26⅞	26¼	26⅜	-¼
68¼	52⅝	AMP Inc	1.52	2.7	21	1902	67⅜	54⅞	57⅜	+2
80¼	54⅜	AMR				91841	63	61⅞	62	-1½
2⅛	1⅛	ARX			13	108	2	1⅞	2	
53½	36⅞	ASA	2.28	8.2	21	795	32⅛	31	32⅛	+1
34⅛	26⅛	Abbott Lab	0.60	2.2	18	8719	27⅝	27⅛	27¼	+⅛
13⅞	10⅜	Abitibi Pr	0.50	4.4	4	4	11⅛	11¼	11¼	
11⅞	10½	ACM Gvt In	0.36	3.2		109	11⅝	11¼	11¼	-⅛
10½	9	ACM GvOpp	1.21	13.1		74	8¼	9¼	9¼	
3¼	6½	ACM Gvt Sp	0.60	6.6		259	9¼	9⅛	9¼	
11⅞	8⅞	ACM Gvt Se x	0.96	8.7		248	11	10⅞	11	+⅛
10⅞	8⅞	ACM Man	1.16	11.9		158	9⅞	9¼	9⅜	
12⅞	8⅞	ACM Managd	0.79	8.7		226	9⅜	0	0	-⅛
11¼	4⅞	Acme Cleve	0.40	4.8	17	46	8½	8¼	8¼	-¼
8⅞	3¼	Acme Elect			170	31	8½	8⅞	8½	
33¼	13⅞	Acuson			10	483	14¼	14	14½	
21	16⅛	Adams Expr	0.48	2.4	1	16	19⅞	19¾	18⅜	+⅛
48⅞	26½	Ad Micro	3.28	8.6		15	47½	45½	45½	-2⅛
21½	7½	Ad Micro P	3.00	18.3		77003	19⅛	19⅞	18⅞	-⅜
9⅛	4⅞	Advest Grp	0.18	2.4	13	56	6¾	6⅞	6⅞	-¼
45¼	33	Aegon ADR	1.35	3.0	8	27	44½	44⅛	44⅛	-¼
60¼	38	Aetna Ll x	2.76	5.5	14	959	56⅛	49⅞	50	+⅛
14½	8⅛	Affil A	0.34	1.9	18	1656	13¼	13¼	13⅛	-⅛
35¼	34	Aflac	0.44	1.3	15	810	34	33⅞	33⅛	-⅛
22½	13	Ahmanson	0.88	4.4	8	1197	20⅛	28	20	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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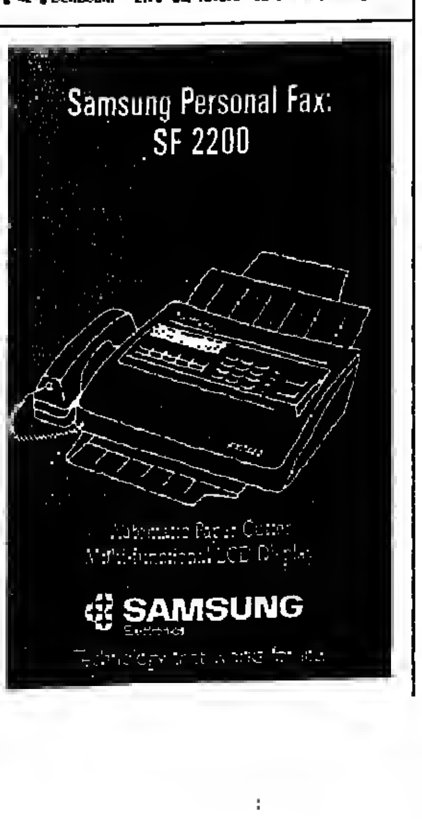

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NYSE COMPOSITE PRICES

Continued from previous page

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote	Close	Ch'ge Prev. Close
44⅛	24⅞	Xtra 1.94	1.94	4.4		20	u44⅛	44⅛	44½		
75⅞	20½	Xtra Corp	0.80	1.0	20	802	u79⅛	75¾	76⅛		+2⅛
30⅛	25¾	Yankee Egy	1.66	5.8	13	4	22	39	20¾		
1½	¾	Zapata			40	273	1/2	1/2	1/2		
11⅛	0	ZenithElec			2	438	8¾	8	8¾		+⅛
22⅛	14½	Zenith Ind x	1.00	4.5	10	z100	22	22	22⅛		
7⅛	8	Zenix Inc x	0.82	11.7		64	7⅛	6⅞	7		+⅛
14⅞	10	Zero Corp	0.40	2.8	20	45	14⅛	13⅛	14		+⅛
40⅞	27⅞	Zurn Ind	9.56	2.3	41	128	86	27⅛	22⅛		
14⅛	12	Zweig Fund	1.44	11.2		105	13	12⅛	13⅞		
11	0½	Zweig Totl	0.26	6.1		015	10½	18⅞	18½		

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 80 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm January 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	23	484	13⅛	13⅛	13⅛	+⅛
Pentrl	0.80	17	36	17⅛	17	17⅛	–⅛
Pet HUP	1.14	11	4100	10⅞	10⅞	17	
Phil LD	0.25	10	630	35⅛	35⅛	30⅞	+⅛
Pitney A	1.10	16	42	35	36	35	+⅛
Ply Gem	0.13	24	38	12½	12	12⅛	–⅛
PMC	0.70	10	79	14⅞	14⅞	14½	–⅛

NASDAQ NATIONAL MARKET

3:30 pm January 28

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		38	7645	30	29	29½	–⅛
Xoma Corp		3	2345	0⅛	0⅞	8⅛	–⅛
Yellow Fr	0.94	22	27	29⅞	20⅛	26⅛	
York Rsch		7	378	7	6	8	
ZionsUtah	0.42	28	66	43⅞	40⅛	42½	–⅛

AMERICA

Modest Dow gain on mixed economic data

Wall Street

US EQUITIES edged slightly higher yesterday morning, reversing the previous day's sell-off, but gains were modest in the wake of mixed economic news, *writes Karen Zagor in New York*.

At 1 pm, the Dow Jones Industrial Average was up 14.59 at 3,305.98. The more broadly based Standard & Poor's 500 was 0.82 higher at 438.93, while the Amex composite eased 0.32 to 409.96. Secondary stocks continued to lag, with the Nasdaq composite down 1.80 at 696.10. NYSE volume was 154m shares by 1pm, and rises outnumbered declines by 859 to 808.

On Wednesday, the Dow closed 7.56 lower at 3,291.39.

There was encouraging news from the Commerce Department, which reported that gross domestic product was up 3.8 per cent in the fourth quarter as a seasonally adjusted annual rate, above predictions at 3.1 per cent.

But enthusiasm was tempered by a report that initial claims for state unemployment insurance had risen by 2,000 in the week ended January 16 to 364,000: a decline of 9,000 had been expected.

American Express continued to move lower in active trading, falling $1⅛ to $22⅞. Investors remained discontented with the decision of Mr James Robinson to remain chairman of the group and to take over the running of its brokerage subsidiary, Shearson Lehman.

Trading was also heavy in Service Merchandise, a catalog and showroom merchandiser. The stock plunged $3⅜ to $11⅝ after the company posted flat fourth quarter net earnings of 88 cents a share. Analysts had expected earnings of 99 cents in the latest quarter.

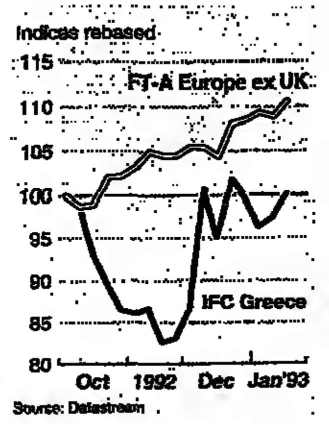
In the airline sector, Delta Air Lines eased $⅝ to $50⅝ following a second quarter net loss of $3.04 a share against a deficit of $3.89 a year earlier. Delta also slashed its quarterly dividend to 5 cents a share from 30 cents.

UAL, parent of United Airlines, tumbled $2¼ to $123 on the back of a fourth quarter loss of $9.27 a share compared with $10.69 last year. The company also said it was cutting 2,700 jobs.

On the Nasdaq market, technology issues continued to lose favour with investors, with Intel down $3⅛ to $109⅞ and Microsoft off $⅝ to $85⅝.

Sun Microsystems dropped $⅝ to $37⅞. Soma analysts have reduced their ratings on the stock following disappointing second quarter earnings.

Lotus Development, the personal computer software maker, bucked the trend by adding $2 to $23⅞ on the back of fourth quarter net income of 35 cents a share. A year earlier, *Lotus earned 14 cents, including a one-time charge.*



Source: Datastream

Canada

TORONTO stocks eased at midday, pressured by losses in the property sector. The TSE-300 index fell 8.34 to 3,303.3.

Among gainers, BCE climbed C$⅛ to C$44⅝ in the wake of its announcement late the previous day of a record rise in 1992 earnings.

EUROPE

Analysts ease early pressure on steels

STEEL groups came under early pressure yesterday after the US announced that it was imposing tariff duties on imports from seven EC countries, *writes Our Markets Staff*.

However, some analysts commented that this measure might have less effect on the sector than instinctive reactions had suggested: the EC only exports about 3.6 per cent of its total steel production of some 136m tonnes to the US.

BRUSSELS saw steel stocks recover in late trading: Cockerill, which had been as low as BFr89 closed just BFr1 weaker at BFr94 after saying that it had little exposure to the US. The group also announced that it was to lift prices by between 15 and 20 per cent, in line with increases that have recently been announced by other European producers. Clabecq was flat at BFr366 after seeing BFr345; and Arbed regained BFr1,980 after BFr1,920, BFr15 down on the day.

The Bel-20 index was 2.43 higher at 1,180.88 in turnover of BFr1bn.

AMSTERDAM fell back as Hoogovens reacted to the US decision, easing 80 cents to Fl 26.10 but off the day's low of Fl 25.30. The CBS Tendency index lost 0.5 to 97.2. Daf remained suspended at Fl 7.20: after the close the government said that "several more weeks" were needed for the restructuring plans to be finalised.

FRANKFURT reversed early losses in the face of poor inflation figures from Hesse and bleak company news from Thyssen, the DAX index finishing 5.52 higher at 1,567.84 after a low of 1,556.36. Dealers, once again, gave the credit for the recovery to thin trading and the influence of the derivatives market. Turnover rose from DM4.6bn to DM4.8bn.

In the steel sector, shares showed little reaction to US plans to levy duties on steel imports. Thyssen ended DM1.50 higher at DM171, but it had fallen DM7 on Wednesday, anticipating yesterday's forecast of a further deterioration in 1992/93 results. In engineering, KHD fell DM1.80 to DM100 as it confirmed that a rights issue was on the way.

PARIS was generally firmer although Alcatel Alsthom went against the trend with a FFr15 fall to FFr610, reflecting disappointment after a forecast of flat earnings in 1993. The CAC-40 index closed 3.29 higher at 1,780.64, *off the day's* low of 1,755.90, in turnover of some FFr3bn.

BSN was one of the main risers, up FFr11 at FFr923, after estimating a 5 per cent increase in 1992 earnings and saying that it was optimistic about the current year, while Cap Gemini advanced FFr8.30 to FFr148.30 after reporting a net 1992 loss of FFr80m, down from FFr560m in 1991.

The banking sector remained weak after Standard and Poor's said on Wednesday that it was placing a number of banks on its creditwatch list. Suez shed FFr4.00 to FFr256.50 and Paribas lost FFr1.20 to FFr373.80.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

January 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1066.97	1068.17	1067.88	1068.26	1069.30	1070.34	1072.50	1072.70
FT-SE Eurotrack 200	1146.87	1145.55	1144.90	1145.26	1145.39	1146.98	1146.86	1148.08

	Jan 27	Jan 26	Jan 25	Jan 22	Jan 21
FT-SE Eurotrack 100	1072.28	1084.24	1077.68	1091.64	1091.44
FT-SE Eurotrack 200	1147.45	1156.52	1146.87	1156.91	1154.96

Base value 1000 (26/10/90) High/day: 100 - 1072.70; 200 - 1148.31 Low/day: 100 - 1066.08 200 - 1142.28.

MILAN saw institutional investors emerge as bargain hunters after a weak opening and the Comit index finished 2.36 lower at 478.02.

Fiat fixed L160 lower at L4,100 but recovered to L4,170 after hours as the market awaited the group's preliminary 1992 results. In the event, chairman Giovanni Agnelli's letter to shareholders, released after the close, revealed better operating income than expected but a worse net debt position. IFI, the parent company dipped L350 to L9,500.

Montedison continued lower, losing L55 to L1,100, on concern that ENI, its former joint venture partner in Enimont, may press for up to L800bn reimbursement and unconfirmed reports that a warrant had been issued for the arrest of a former chairman over a contribution to a political party.

ZURICH pulled up after the previous day's lows and the SMI index ended 8.5 higher at 2,072.6. Swissair gained SFr22 to SFr507 as investors welcomed its exploratory talks with KLM on possible cooperation. Adia fell SFr27 to SFr168 after announcing plans to cut its equity capital to cover projected 1992 losses of SFr203m.

MADRID, the best performing market in Europe after some three weeks of 1993, took a critical look at itself and dropped the general index by nearly four points in the morning before it recovered to close 2.18 lower at 229.57.

Construction stocks led the declines with Cubiertas losing Pta150 to Pta3,850, Dragados Pta45 to Pta1,265 and FCC Pta400 to Pta8,000. STOCKHOLM fell on worries in the banking sector and the Affärsvärlden index lost 13.9 to 879.1. Turnover was some SKr679m after SKr665m. Electrolux B slipped SKr5 to SKr210 ahead of its 1992 results.

ASIA PACIFIC

Nikkei clears 17,000 on interest rate hopes

Tokyo

RENEWED hopes of a cut in the official discount rate and active buying by life assurers bolstered sentiment, and the Nikkei average surged by 3.4 per cent, clearing the 17,000 level for the first time since December 29, *writes Emiko Terazono in Tokyo*.

The index moved lower in early trading, falling to the day's low of 16,471.76, but moved ahead on late afternoon buying, hitting the day's best of 17,086.79 just before closing 553.73 ahead at 17,063.41.

Volume rose from 220m shares to 300m, the highest since December 18. Advances overwhelmed declines by 862 to 123, with 128 issues unchanged, and the Topix index of all first section stocks climbed 31.77 to 1,291.87. In London, however, the ISE/Nikkei 50 index shed 1.20 to 1,049.12.

Short-covering by dealers and active buying by public funds and foreigners also pushed up share prices. Rumours that financial authorities and politicians were trying to oust Mr Yasushi Mieno, the Bank of Japan governor, who has been seen as leading the opposition to easier monetary policy, prompted hopes of a discount rate cut.

Some market participants speculated that the sudden surge was prompted by the Ministry of Finance, which has been nervous over recent market talk of a February crash. "It seems as if the MoF is doing some arm-twisting," said one analyst.

Shipbuilders stayed active on calls by the Transport Ministry for regulations to prevent oil spills, including requirements for tankers to have double hulls. Sasebo Heavy Industries rose Y18 to Y543, Mitsui Shipbuilding put on Y20 at Y387 and Hitachi Zosen gained Y26 at Y516.

Interest rate-sensitive electric power issues gained ground. Tokyo Electric Power moved ahead Y70 to Y2,570 and Tohoku Electric Power advanced Y80 to Y2,440.

Isuzu Motors, the most active issue of the day, rose Y14 to Y364 on speculative buying by dealers on the "restructuring" theme, which also lifted Oki Electric by Y11 to Y386.

High-technology issues gained on short-covering. NEC, which had been weak recently on earnings worries, advanced Y33 to Y650 and Pioneer Electronic added Y130 at Y2,400. Mitsubishi Electric, which weakened in the morning on reports of lower than expected earnings, rebounded to finish Y8 up on balance at Y493.

In Osaka, the OSE average put on 405.02 at 18,290.36 in volume of 51.2m shares.

Roundup

TOKYO'S rise left some Pacific Rim markets unimpressed.

HONG KONG was marked broadly lower amid selling by overseas funds after renewed Chinese attacks in the Sino-British row. The Hang Seng index shed 135.39, or 2.26 per cent, to 5,804.50 in volume of HK$2.58bn, up from Wednesday's HK$2.03bn.

Bank of East Asia's 36 per cent increase in 1992 profits, announced shortly after the afternoon session opened, was below some estimates. The shares slipped 25 cents to HK$35.75.

AUSTRALIA staged a slow advance after the release of data showing the annual inflation rate at just 0.3 per cent; but share prices fell away towards the close after the federal government downgraded its 1992-93 economic growth forecast to 2.5 per cent from 3.0 per cent.

The All Ordinaries index ended barely above the day's low, down 8.1 at 1,526.7. Turnover was a light A$230.64m.

SINGAPORE failed for the second successive day to sustain an intra-day record high. The Straits Times Industrial index touched 1,607.91 in morning trade but profit-taking left it a net 4.84 down at 1,598.23. Volume improved to 65.47m shares from Wednesday's 56.86m.

Singapore Press Foreign moved forward 60 cents to S$15.70 amid reports of analysts rerating earnings and rumours of a cover price rise.

SEOUL's composite index declined for the third day in a row, by 6.78 to this month's low of 687.79.

MANILA was firmer and the composite index appreciated 16.56 to 1,340.90 in higher turnover of 4.3bn shares, compared with Wednesday's 2.4bn.

KUALA LUMPUR was generally lower, with the composite index weakening 6.49 to finish at 618.41.

Tenaga shed 30 cents to M$9.20 in active trade, while Telekom lost 50 cents to M$13.

BANGKOK saw selling of leading bank stocks and the SET index slipped 6.87 to 974.54.

BOMBAY climbed again on budget hopes, the BSE index rising 50.23 to 2,645.36 in hectic trading stimulated by this week's visits by Mr John Major, the British prime minister, and Mr Boris Yeltsin, the Russian president.

Athens regains confidence on EC funding package

Kerin Hope finds a new mood among investors

While Greek politicians still argue about which projects to include in an infrastructure programme made possible by EC funding, the prospect of Ecu20bn ($16bn) flowing in from Brussels over the next seven years is already contributing to a recovery on the Athens Stock Exchange.

Cement and construction issues have shown sharp gains and a small engineering group, for instance, whose shares were rarely traded, suddenly found itself accounting for more than 1 per cent of daily orders fed into the bourse's new electronic trading system.

As a result the general index has gained momentum, closing yesterday at 741.35, up nearly 8 per cent from the start of the year. Volume has also climbed steadily over the past few weeks, reaching Dr1.7bn ($8m) at a number of sessions.

Mr John Markopoulos, managing director of Sigma Securities, says: "It is a cautious sort of recovery; but it is clear that confidence is returning after a rather long gap. Investors have woken up to the fact that price-earnings ratios are low, around seven to eight on average." This compares with a p/e of between 10 to 11 times at the start of 1992.

The announcement in December of the second EC package, with its guarantee of sustained public investment, could not have come at a better time. A prolonged slide during most of 1992 took the general index to a 33-month low in November. Even after a 27 per cent jump in just four weeks, the index showed a loss of 17 per cent on the year.

The year-end figures revealed a depressing picture, with market capitalisation declining in 1992 by 11 per cent to Dr2,042bn. The total value of share transactions plunged by 31 per cent to Dr306bn, with average trading volume down to around Dr1.2bn.

Even listed companies shunned the market as a source of capital, with several leading industrial groups preferring to raise fresh funds through issues of corporate bonds. Only two small investment companies joined the bourse in 1992, compared with 17 entrants the previous year.

To a large extent, the small investors who are normally responsible for a high percentage of turnover on the Athens exchange were tempted away by attractive interest rates offered on government paper.

Although inflation was at 14.4 per cent in December, the need to finance the bloated public deficit kept this month's rate for one-year Treasury bills, by far the most popular investment instrument, as high as 22.5 per cent.

Nevertheless, as the government's economic stabilisation programme enters its third year, inflation is forecast to decline faster, dropping to 9 per cent by the end of the year. A fall in interest rates, currently standing at about 27 per cent, is also expected, gathering speed after the summer.

Mr Dimitri Verropoulos, an investment consultant at Alpha Brokerage, says: "The economy is starting to get back into shape and the outlook for growth is encouraging. Institutional investors from abroad are looking at Athens again."

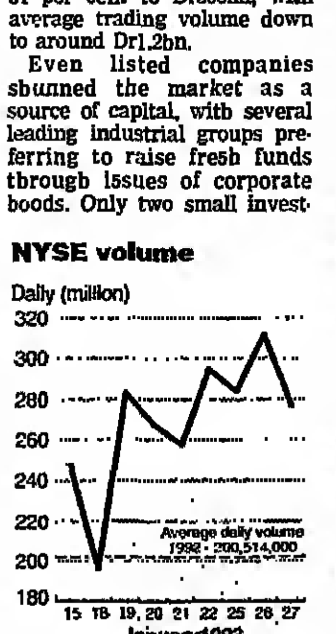
The real test for the market this year will come when the government launches a series of privatisations through the stock market.

Housing Bank and Bank of Central Greece, both subsidiaries of large state-controlled banks which are already listed, are to be sold through public tender offers on the exchange. This method has already proved successful in the sale earlier this month of Bank of Athens, a subsidiary of National Bank, to a Korean-owned investment group.

However, these listings will be small by comparison with the projected offering this summer of a 14 per cent stake in OTE, the state telecommunications group. The flotation is set to follow the planned direct sale of another 35 per cent of the company to an international telecoms operator.

The government hopes to raise about Dr100bn from the partial flotation of OTE. But concern is already being voiced over whether the market can absorb such a large issue. Analysts point out that the country's largest public offering to date, launched when the market was riding high in 1991, raised a total of Dr20bn.

NYSE volume



SOUTH AFRICA

SOUTH African gold shares rallied towards the close as the bullion price rose above $330 an ounce. The golds index put on 30 points, or 3.7 per cent, at 839, while industrials shed 10 to 4,508. The overall index was up 6 at 3,405.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financia) Timea Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with tha Instituta of Actuarias and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 27 1993								TUESDAY JANUARY 26 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	121.01	+0.2	118.46	94.89	99.63	119.24	+0.3	4.06	120.78	116.43	94.40	99.03	118.65	153.68	108.18	143.95
Austria (18)	140.65	+1.1	137.68	110.29	115.79	115.80	+1.6	2.00	139.18	134.17	108.79	114.12	113.98	186.70	131.16	172.64
Belgium (42)	141.74	−0.6	138.76	111.14	116.69	114.13	+0.1	5.29	142.53	137.40	111.40	116.86	114.06	152.27	131.18	144.39
Canada (113)	114.47	+0.1	112.06	89.75	94.23	105.31	+0.1	3.14	114.32	110.20	89.35	93.72	105.21	142.12	111.36	138.22
Denmark (33)	210.28	+0.1	205.85	164.89	173.11	174.74	+0.9	1.56	210.03	202.47	164.17	172.20	173.18	273.94	181.70	265.24
Finland (23)	70.38	−1.0	68.90	55.19	57.94	79.81	+0.8	1.77	71.07	68.51	55.55	58.27	79.98	89.90	52.84	88.64
France (98)	147.65	−1.1	144.54	115.77	121.55	124.03	−0.7	3.81	149.30	143.92	118.69	122.40	124.89	168.75	136.93	152.95
Germany (62)	108.02	−1.2	108.74	84.71	88.92	88.92	−0.8	2.57	109.32	105.38	85.45	89.63	89.63	129.89	101.59	118.44
Hong Kong (55)	236.43	+0.1	231.45	185.39	194.65	234.68	+0.1	3.83	236.26	227.75	184.66	193.71	234.42	262.28	176.36	189.71
Ireland (16)	142.75	+1.2	139.74	111.93	117.52	121.57	+2.8	4.36	141.10	136.01	110.28	115.68	118.20	173.71	122.98	170.96
Italy (76)	59.54	−0.7	58.29	46.68	49.01	65.59	+0.9	3.17	59.99	57.82	46.88	49.18	65.03	80.86	47.47	78.76
Japan (472)	101.88	+0.0	98.73	79.89	88.88	79.89	+0.4	1.04	101.84	98.17	79.60	83.51	79.60	140.95	87.27	124.96
Malaysia (69)	260.02	−0.6	254.55	203.89	214.06	260.73	−0.3	2.54	261.51	252.09	204.39	214.40	261.41	282.42	212.49	225.18
Mexico (18)	1677.99	−0.8	1642.63	1315.78	1381.42	5674.50	−1.1	1.06	1691.37	1630.43	1321.99	1386.72	5738.24	1789.77	1185.84	1529.18
Netherland (25)	156.03	−0.5	152.75	122.35	128.46	126.84	−0.1	4.49	156.85	151.20	122.60	126.60	126.97	169.70	147.68	153.63
New Zealand (13)	41.77	+0.1	40.89	32.76	34.39	42.98	+0.8	5.09	41.72	40.21	32.61	34.20	42.71	48.52	37.39	45.39
Norway (22)	140.58	−2.3	137.60	110.22	115.72	128.36	−2.0	1.88	143.83	138.65	112.42	117.93	130.95	192.95	128.05	182.09
Singapore (38)	214.34	−0.2	209.83	186.08	176.46	181.65	−0.1	2.04	214.71	206.97	187.82	176.03	161.82	229.63	178.65	226.45
South Africa (60)	158.20	+1.3	154.87	124.05	130.24	164.07	+0.1	3.10	156.20	150.57	122.06	128.06	163.94	263.60	134.21	255.84
Spain (47)	129.96	−0.6	127.22	101.91	106.99	110.27	−0.6	5.49	131.02	126.30	102.41	107.42	110.97	161.72	107.10	156.33
Sweden (38)	156.53	−0.9	153.23	122.74	128.86	164.75	−0.4	2.81	157.95	152.26	123.46	129.51	165.44	200.28	149.69	184.01
Switzerland (56)	112.74	−1.3	110.36	88.41	92.82	102.06	−0.9	2.09	114.27	110.15	89.32	93.70	102.97	122.37	95.99	101.20
United Kingdom (226)	172.69	−1.6	169.05	135.40	142.16	169.05	+0.0	4.40	175.45	169.13	137.12	143.83	169.12	200.07	161.85	183.32
USA (522)	179.06	−0.4	175.28	140.41	147.42	179.06	−0.4	2.86	179.85	173.37	140.58	147.46	179.85	180.06	160.92	167.35
Europe (760)	138.41	−1.2	135.49	108.53	113.95	125.68	−0.3	3.75	140.10	135.05	109.50	114.87	125.99	156.68	131.31	148.30
Nordic (114)	148.04	−0.7	144.92	116.09	121.88	138.31	−0.1	2.21	149.14	143.76	116.57	122.27	138.40	188.52	141.24	185.27
Pacific Basin (715)	107.05	+0.0	104.79	83.94	88.13	65.82	+0.3	1.40	107.01	103.16	83.64	87.74	65.53	141.97	93.70	127.46
Euro - Pacific (1495)	119.75	−0.6	117.22	93.89	98.58	101.88	+0.1	2.51	120.42	116.06	94.11	98.72	101.61	145.21	113.80	136.08
North America (635)	175.06	−0.4	171.37	137.28	144.14	174.06	−0.4	2.68	175.79	169.46	137.41	144.15	174.79	176.04	158.70	165.49
Europe Ex. UK (554)	117.71	−0.9	115.23	92.32	96.92	102.18	−0.4	3.29	118.83	114.55	92.90	97.45	102.60	132.98	111.33	127.05
Pacific Ex. Japan (243)	157.70	+0.0	154.38	123.68	129.84	146.81	+0.1	3.62	157.70	152.02	123.28	129.31	146.62	175.81	146.06	152.12
World Ex. US (1686)	120.98	−0.5	118.43	94.87	99.80	103.80	+0.0	2.52	121.60	117.21	95.05	99.70	103.76	146.91	115.99	138.33
World Ex. UK (1982)	136.47	−0.3	133.60	107.02	112.36	122.83	−0.2	2.46	136.95	132.02	107.05	112.29	123.05	150.58	127.21	143.84
World Ex. So. Af. (2148)	139.59	−0.5	136.65	109.47	114.93	126.52	−0.2	2.66	140.28	135.23	109.66	115.03	126.73	153.05	130.04	146.37
World Ex. Japan (1736)	160.80	−0.8	157.41	128.10	132.40	154.38	−0.3	3.20	161.85	156.01	126.51	132.71	154.80	165.40	151.93	180.15
The World Index (2208)	139.61	−0.5	136.87	109.48	114.95	126.87	−0.2	2.67	140.29	135.23	109.65	115.03	127.08	153.70	130.66	147.09

Latest prices were unavailable for this edition.